

Company Registration No. 10337377 (England and Wales)

COMMUNITY SCHOOLS TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

COMMUNITY SCHOOLS TRUST

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COMMUNITY SCHOOLS TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members

S Cameron
S Denton
J Tallis
E Trayler-Wilkinson

Directors

F Akiwowo (Resigned 11 March 2018)
A Burns
P Clapham (Appointed 31 May 2018)
R Doolan (Appointed 18 October 2018)
S Elliott (CEO)
Z Iqbal (Appointed 24 January 2018)
P Lennon (Appointed 12 October 2017)
S O'Reilly (Resigned 1 May 2018)
C Rutt
A Scawthorn
J Tallis (Chair)

Senior management team

S Elliott	- CEO
S Zaman	- Deputy CEO
P Mellon	- Finance Director

Company registration number

10337377 (England and Wales)

Registered office

Forest Gate Community School
Forest Lane,
London
E7 9BB

Academies operated

Forest Gate Community Schools
The Cumberland School

Location

Newham
Newham

Headteacher

Charlotte Whelan
Gillian Dineen

Independent auditor

Wilkins Kennedy Audit Services
Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

Bankers

Lloyds Bank
39 Threadneedle Street
London
EC2R 8AU

COMMUNITY SCHOOLS TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Solicitors

Stone King LLP
Boundary House
91 Charterhouse Street
London
EC1M 6HR

COMMUNITY SCHOOLS TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

The directors present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The academy trust operates two academies for pupils aged 11-16. The academies are in the London Borough of Newham. Please see below for pupil capacity:

Forest Gate Community School:
Capacity of school: 1050
Number on roll: 1104

The Cumberland School
Capacity of school: 1500
Number on roll: 1422

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The charitable company is known as Community Schools Trust and was incorporated on 19 August 2016.

The directors are the trustees of Community Schools Trust and are also the directors of the charitable company for the purposes of company law. Details of the directors who served during the year, and to the date these financial statements are approved, are included in the Reference and Administrative Details on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

Method of recruitment and appointment or election of directors

The members of the Academy Trust shall comprise the signatories to the Memorandum, and any person appointed under Article 15A. The number of Members shall be not less than 3. The Members may agree by passing a special resolution to appoint such additional Members as they think fit. A employee of the Academy Trust cannot be a Member of the Academy Trust. Each of the persons entitled to appoint members above shall have the right, from time to time by written notice delivered to the Office, to remove any Member appointed by them and to appoint a replacement Member to fill a vacancy whether resulting from such removal or otherwise.

The number of Trustees shall be not less than 3, but shall not be subject to a maximum. The Academy Trust shall have the following Trustees:

- up to 9 Trustees, appointed under Article 50
- any Co-opted trustee appointed under Article 58

The first trustees are those persons named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006. Subsequent trustees shall be appointed or elected under the articles of association.

The total number of Trustees including the Chief Executive Officer, if they so choose to act as Trustee, who are employees of the Academy Trust shall not exceed one third of the total number of Trustees.

The term of office for any Trustee shall be four years, save that this time limit shall not apply to any post which is ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected at an Annual General Meeting.

Policies and procedures adopted for the induction and training of directors

The training and induction provided for new Trustees will depend on their existing experience. All Trustees are provided with copies of relevant documents that they will need to undertake their role as Trustee. Induction tends to be done informally and is tailored specifically to the individual.

COMMUNITY SCHOOLS TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Organisational structure

The structure consists of four management levels: Community Schools Trust Directors Board, The Executive Team, the Local School Board and the Academy Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

Community Schools Trust Directors Board are responsible for setting general policy, adopting an annual plan and budget monitoring for the Academies by the use of budget reports and making major decisions about the direction of Community Schools Trust, capital expenditure and senior staff appointments.

The Academy Leadership Team consists of the Head of School, Deputy Heads, Assistant Heads of School and the Business Manager. These leaders control the Academy at school level implementing the policies laid down by themselves, the local school board, the Executive Team or Community Schools Trust Directors Board. As a group, the Senior Leadership Team is responsible for the authorisation of spending within agreed budgets and the appointment of non-senior staff. Appointments of senior leader posts will require Director's authorisation.

Arrangements for setting pay and remuneration of key management personnel

The setting of the pay and remuneration for the Chief Executive Officer is devolved from Community Schools Trust Directors Board to a panel responsible for CEO performance management.

The pay and remuneration of the Executive Team below CEO level is set by the CEO.

Head of School pay is set using the formula within the pay and conditions document applicable at the time of appointment. A panel consisting of members of the Executive Team and the Local School Board will set the exact pay within the pay range identified within the pay and conditions document.

Objectives and activities

Objects and aims

The principal object of the Academy is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

Our Ethos:

- We have the highest possible ambition for educational success and aim to raise achievement for all.
- We are committed to improving the life chances of all students.
- We believe in providing a disciplined, safe and structured school environment with open and regular lines of communication between all stakeholders.
- We offer a broad, balanced and stretching curriculum for all with a strong focus on the acquisition of skills for learning, literacy, numeracy, social and cultural development, employment and citizenship.
- We expect all members of each school community to challenge each other to reach high standards and to never accept mediocrity.
- We believe our schools should stand at the centre of their communities and work closely with parents.

We aim to nurture a strong culture of learning in our area and encourage the participation of local communities and stakeholders in shaping the education we offer.

Objectives, strategies and activities

- We want all pupils to make better progress than their peers nationally.
- We want all lessons to provide effective feedback to students so that they know how to improve, are fully engaged and are applying basic skills appropriately.
- We want strong leadership from governors, senior leaders, middle leaders, teachers and students alike.
- We want effective systems across all schools in the trust to be in place to support the good order and success of all schools.
- We want all schools in the trust to become autonomous, self-improving organisations that can drive continual improvement
- We want all schools in the trust to be judged good or outstanding by Ofsted.

COMMUNITY SCHOOLS TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Public benefit

The Directors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on Public Benefit when reviewing the charity's aim and objectives and in planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set.

Strategic report

Achievements and performance

The Trust measures its' academic success partly through a series of school performance indicators as published by the DfE and Ofsted. These indicators comprise:

- Key stage test results
- GCSE results
- Published Ofsted reports

Other measures used by the Trust include:

- School popularity / admissions
- Staff recruitment and retention
- Financial health
- Stakeholders survey and outcome

Key performance indicators

During this reporting period, the following achievements have been recorded:

Headlines 2017-2018

Area	FGCS GCSE 2018 APS diff -1.1(PP/ NonPP)	TCS GCSE 2018 (246 PP/31 NonPP)
% students to get grade 5 or more in Eng and Maths (old grade C +)*	64.1% (60%/68%)	42 % (43%/29%)
Progress 8 score**	1 (0.83/1.15)	-0.54 (-0.54/-0.61)
Attainment 8 Score	54.99	41.67 (42.63/34.02)
% of students making < 0 progress**	22%	66%
Eng Prog 8 (Lit or Lang)**	1.84 (1.69/1.99)	-0.21 (-0.19/-0.91)
Maths Prog 8**	0.98 (0.75/1.2)	-0.58 (-0.59/-0.14)
Ebacc Prog 8 (any Sciences inc Com Sci, any Languages, Geog or Hist)**	0.53 (0.4/0.62)	-0.58 (-0.59/-0.15)
Open Element P8 (Best of all others which hasn't been included eg Media, DT)**	0.92 (0.75/1.11)	-0.69 (-0.67/-1.19)
% boys to get English and Maths with grade 5 or more*	63% (57%/68%)	41% (41%/37%)
% Girls to get English and Maths with grade 5 or more*	67% (67%/67%)	43% (45%/17%)
% English (Highest) with grade 5 or more*	83% (84%/86%)	58% (61%/32%)
% Maths with grade 5 or more*	67% (62%/72%)	46% (46%/42%)
3 or more grade 7+ (3+A*/A)	42% (41%/44%)	20% (21%/16%)
% WH British Students with grade 5 or more Eng and Maths	100% (100%/100%)	14% (14%/-)
5 or more grade 7 + (5+A*/A)	25% (22%/27%)	12.3% (12.1%/12.9%)
Percentage of pupils entering for the English Baccalaureate	49%	34%
Percentage of pupils achieving the English Baccalaureate	26% (21%/30%)	13% (13%/7%)

COMMUNITY SCHOOLS TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Forest Gate Community School (FGCS)

The P8 figure is significantly greater than the national average (6th top performing school in the country in 2017) for all students with different starting points (low, middle & high). Students also outperform their national counterparts in all the elements of the E-Bacc. In the last three years, on average, FGCS students have performed one whole grade better than their national counterparts.

For the last three years, the Basic threshold has been significantly above than the national average, with 78% of our students achieving English and Maths in 2018 for grade 4 or more and 64% achieving grade 5 or more.

FGCS's E-Bacc performance has also remained very strong over the past three years and this year 26% of students have achieved a strong pass.

The Cumberland School (TCS)

Since joining the Community Schools Trust (CST) on 5th May 2018, the school has made significant improvements in some key areas. For example, the student performance in English has improved by more than half a grade. Furthermore, TCS have made significant inroads in closing the gap between the Pupil Premium (PP) students and the non PP students. In some instances, PP students have out performed their non-PP counterparts.

In a very short space of time, the overall result in terms of attainment outcomes has improved. In particular, low band students have made the greatest rate of improvement in the last three years. Furthermore, the progress of the White European students is at +0.45, indicating a positive step forward for the school.

However, we recognise that standards need to reflect the expectations of the TCS and at present they fall short of this. With effective support provided by the CST, we are confident that there will be a rapid and sustained improvement of the outcomes of our students similar to that evident at other CST schools such as FGCS.

Going concern

After making appropriate enquiries, the board of directors has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the board of directors continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

Financial review

Most of the Academy's income is obtained from the Education Skills Funding Agency (ESFA) and the Local Authority in the form of recurrent grants, some of which are restricted to particular purposes. The grants received from the ESFA during the period ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Academy also receives grants for fixed assets from the ESFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2018, total expenditure of £12,735k (2017: £8,814k) was met by recurrent grant funding from the ESFA together with other incoming resources. The excess of income over expenditure for the period (excluding pension deficit on conversion, restricted fixed asset funds and transfers) was £1,513k (2017: £164k).

At 31 August 2018 the net book value of fixed assets was £33,502k (2017 restated: £19,551k).

The Local Government pension scheme, in which the Academy participates, showed a deficit of £4,298k at 31 August 2018 (2017:£1,973k).

COMMUNITY SCHOOLS TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Reserves policy

The directors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The directors have determined that the target level of reserves to be held is set as a range being equivalent to minimum one month's required Trust wide expenditure to maximum one term's Trust wide expenditure, which is approximately £1,700k (2017: £500k)

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy's current level of free reserves is £2,084k (2017: £197k) (total funds less the amount held in fixed assets and restricted funds). The Directors will review the level of reserves throughout the year and try to maintain the level of free reserves over the coming years.

Investment policy

Under the Memorandum and Articles of Association, the academy has the power to invest funds not immediately required for its own purposes, in any way the Trustees see fit. The organisation has a positive cash balance to cover eventualities and unforeseen expenses. The banking facilities are reviewed on a regular basis.

Financial Position

The Academy held fund balances at 31 August 2018 of £31,721k (2017: £18,087k) comprising of restricted funds of £29,637k (2017: £17,893k) and £2,084k (2017: £194k) of unrestricted funds. Of the restricted funds, £33,502k (2017: £19,566) is represented by tangible fixed assets.

The pension reserve which is considered part of restricted funds was £4,298k (2017: £1,973k) in deficit.

The Academy's current level of free reserves is £2,084k (2017: £194k).

Principal risks and uncertainties

The Directors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Directors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. The Directors have introduced systems, including operational procedures and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement on page 10.

The Directors have assessed the principle risks and uncertainties facing the Trust to be as follows:

- Retention of key staff, particularly the Chief Executive Officer. However, it is not felt that there is an immediate threat in this regard, with the Trust's development and prospects of growth aiding retention.
- The recruitment and retention of quality staff in key subject areas in a period of teacher shortage. All recruitment avenues are explored to source and win top candidates. In addition the Trust has embarked on a programme of internal development of pooled trainee teachers.
- Falling roles present a major threat due to the direct impact on funding. It has been assessed that this is low risk, as Forest Gate school is oversubscribed with a growing reputation for excellence and The Cumberland school has operated at or near capacity for several years with no signs of declining numbers.
- Changes to the national funding formula have resulted in reductions in the schools allocated budgets, however the initiation of the minimum funding guarantee (mfg) has offset the budget reductions. There is a possible risk of the mfg being reduced or withdrawn. To offset this the Trust has allowed growth in numbers at Forest Gate and continues to forecast growth of reserves.

COMMUNITY SCHOOLS TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Financial and risk management objectives and policies

The main financial risks to which the Trust is exposed relate primarily to changes in government and legislation, potential of reduced funding and cash flow and reduced student numbers. A risk also arises in relation to the defined benefit pension scheme, due to the fact that there is a deficit of £4,298k (2017: £1,973k).

Plans for future periods

The Trust will continue striving to improve the levels of performance of its students at all levels and will continue its efforts to ensure its students are fully prepared for the next steps in their school life. At Board level the Trust will work with Local Authorities, the Department for Education and individual schools to grow the number of schools at a manageable rate.

The schools know their strengths and weaknesses based on continual self-assessment. External validation through an annual programme of external review- is well used to formulate developments. The School Development Plan is succinct and well-focussed on key developmental areas. Subject areas also assess their outcomes and plan developments accordingly.

Subject areas that are underperforming are challenged and supported so that improvements are made. Colleagues that require support to improve their own professional practice are similarly challenged and supported. Interventions for students are thorough, although these are being modified to focus even more clearly of key strategic areas for improvement.

The culture is one of openness and senior staff and teaching staff are clear about the need to collaborate and commit to their own professional development.

Auditor

In so far as the directors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors' report, incorporating a strategic report, was approved by order of the board of directors, as the company directors, on 29 November 2018 and signed on its behalf by:

S Elliott
CEO

J Tallis
Chair

COMMUNITY SCHOOLS TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

Scope of responsibility

As directors we acknowledge we have overall responsibility for ensuring that Community Schools Trust has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board of directors has delegated the day-to-day responsibility to the CEO, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Community Schools Trust and the Secretary of State for Education. They are also responsible for reporting to the board of directors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' Report and in the Statement of Directors' Responsibilities. The board of directors has formally met 7 times during the year. Attendance during the year at meetings of the board of directors was as follows:

Directors	Meetings attended	Out of possible
F Akiwowo (Resigned 11 March 2018)	2	4
A Burns	5	7
P Clapham (Appointed 31 May 2018)	1	1
R Doolan (Appointed 18 October 2018)	0	0
S Elliott (CEO)	7	7
Z Iqbal (Appointed 24 January 2018)	3	4
P Lennon (Appointed 12 October 2017)	5	5
S O'Reilly (Resigned 1 May 2018)	4	6
C Rutt	5	7
A Scawthorn	7	7
J Tallis (Chair)	5	7

The number of Trustees has risen from 7 to 9 as the result of 2 resignations and 4 new appointments. The new appointments have been made following an analysis of the skills requirements of the board conducted by the Chair.

The increase in numbers has created additional capacity for the membership of the two sub-committees and has strengthened and broadened the skill sets of the committees and the board. Meetings display a high level of challenge and support based around a risk assessment matrix and data comparison dashboards, referenced to national standards and comparators.

The trust is data driven and the board and sub-committees are well served with quality concise data. Within schools the quality of data is high with robust systems for checking and good mitigation controls to deal with exceptions. Exceptional risks are dealt with in the CEOs reports. Financial data is sent to the board monthly and a high level of scrutiny exists here.

The finance and personnel committee is a sub-committee of the main board of trustees. Its purpose is to deal with all financial matters related to the trust. Matters dealt with include review and approval of budget plans, the risk register, changes to staffing structure and audit. The Chair of this committee is C Rutt.

COMMUNITY SCHOOLS TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of possible
A Burns	5	6
S Elliott (CEO)	6	6
S O'Reilly (Resigned 1 May 2018)	1	4
C Rutt	6	6
A Scawthorn	3	6

Review of value for money

As accounting officer the CEO has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the academy trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

Improving educational outcomes: the trust uses the School Development Plan (SDP) and Management Information Systems to focus and manage educational outcomes in relation to student achievement, attainment and progress. Systems have been developed to track the progress of our pupils in the most efficient way possible and resources are stretched to ensure that students receive the best support available to achieve the best results possible.

Financial governance and oversight: the trust adopts a risk-based internal audit programme, which considers the risk management, control and governance arrangements in place. The trust has substantial assurance that the controls in place is suitably designed, consistently applied and effective.

Demonstrating value for money and effective use of resources: as standard practice for better purchasing, all contracts entered into are continuously reviewed and monitored to ensure that goods and services procured represent value for money and every effort is made in negotiating contract terms and prices. An established ethos is in place, which focuses the use of resources into maintaining and improving the learning and teaching environment, examination results of students and sharing resources where appropriate. The trust structure allows for schools within the trust to engage and collaborate in terms of sharing good practice, driving and raising standards at least cost and sharing services across the trust at a lower cost.

Reviewing controls and managing risk to maximise use of resources and assets: a system of monitoring and reporting management accounts and reconciliations is in place. Accounts and reports are scrutinised by the Chief Financial Officer and are regularly presented to Management and Directors, to provide a high level of scrutiny and accountability. This also ensures that necessary action is taken to address any issues arising that may affect the overall finances of the trust. Reports are also used to make informed decisions about the best use of the trust's funds. As a result of rigorous systems of control, the trust is in a good financial position.

Risk is mitigated through the trust's Scheme of Financial Delegation and Risk Register, which is reviewed and ratified each academic year by the Board of Directors.

In relation to premises and estates, a planned preventative maintenance programme is in place. Having a Premises Team with a wide range of skills, allows us to carry out some maintenance and routine works that would otherwise be sourced externally, at a much higher cost e.g., painting and decorating, plumbing etc.

COMMUNITY SCHOOLS TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Community Schools Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of directors has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of directors.

The risk and control framework

The academy trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of directors;
- regular reviews by the finance and personnel committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint a Responsible Officer. However, the Trustees have appointed Wilkins Kennedy, to complete the internal audit function. Wilkins Kennedy's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

In particular the checks carried out in the current period include:

- Testing of control systems
- Testing of control account/ bank reconciliation
- Review of policies and procedures and adherence thereon
- Review of governance and training of Trustees

Wilkins Kennedy reports to the Finance and Personnel Committee on the operation of the systems of control and on the discharge of the Board of Directors financial responsibilities. The role is carried out by a separate team at Wilkins Kennedy with no connection to the audit team, this is to ensure the reviews are carried out independently.

Wilkins Kennedy has delivered their schedule of works involving 3 visits to Forest Gate school and 1 visit to Cumberland school. No matters of material concern requiring urgent attention were reported. A small number of items reported as meriting attention are being addressed and compliance will be checked at next year's audit.

COMMUNITY SCHOOLS TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Review of effectiveness

As accounting officer the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and personnel committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of directors on 29 November 2018 and signed on its behalf by:

S Elliott
CEO

J Tallis
Chair

COMMUNITY SCHOOLS TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

FOR THE YEAR ENDED 31 AUGUST 2018

As accounting officer of Community Schools Trust I have considered my responsibility to notify the academy trust board of directors and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust's board of directors are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of directors and ESFA.

S Elliott
Accounting Officer

29 November 2018

COMMUNITY SCHOOLS TRUST

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2018

The directors (who also act as trustees for Community Schools Trust) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring that grants received from ESFA/DfE have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of directors on 29 November 2018 and signed on its behalf by:

S Elliott
CEO

J Tallis
Chair

COMMUNITY SCHOOLS TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMUNITY SCHOOLS TRUST

FOR THE YEAR ENDED 31 AUGUST 2018

Opinion

We have audited the financial statements of Community Schools Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

COMMUNITY SCHOOLS TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMUNITY SCHOOLS TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report including the incorporated strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report, including the incorporated strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

COMMUNITY SCHOOLS TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMUNITY SCHOOLS TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Catherine Cooper (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy Audit Services**

5 December 2018

Statutory Auditor

Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

COMMUNITY SCHOOLS TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO COMMUNITY SCHOOLS TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2018

In accordance with the terms of our engagement letter dated 4 September 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Community Schools Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Community Schools Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Community Schools Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Community Schools Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Community Schools Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Community Schools Trust's funding agreement with the Secretary of State for Education dated 30 September 2016 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion as well as additional testing based on our assessment of risk of material irregularity.

COMMUNITY SCHOOLS TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO COMMUNITY SCHOOLS TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant

Wilkins Kennedy Audit Services
Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

Dated: 06 December 2018

COMMUNITY SCHOOLS TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total 2018 £'000	Total 2017 as restated £'000
Income and endowments from:						
Donations and capital grants	3	63	4	192	259	138
Donations - transfer from local authority on conversion	24	1,645	(2,906)	14,114	12,853	17,920
Charitable activities:						
- Funding for educational operations	4	-	12,109	-	12,109	6,907
Other trading activities	5	216	32	-	248	123
Investments	6	1	-	-	1	1
Total		<u>1,925</u>	<u>9,239</u>	<u>14,306</u>	<u>25,470</u>	<u>25,089</u>
Expenditure on:						
Charitable activities:						
- Educational operations	9	35	12,522	178	12,735	7,168
Total	7	<u>35</u>	<u>12,522</u>	<u>178</u>	<u>12,735</u>	<u>7,168</u>
Net income/(expenditure)		1,890	(3,283)	14,128	12,735	17,921
Transfers between funds	17	-	192	(192)	-	-
Other recognised gains/(losses)						
Actuarial gains on defined benefit pension schemes	19	-	899	-	899	166
Net movement in funds		<u>1,890</u>	<u>(2,192)</u>	<u>13,936</u>	<u>13,634</u>	<u>18,087</u>
Reconciliation of funds						
Total funds brought forward		194	(1,673)	19,566	18,087	-
Total funds carried forward		<u>2,084</u>	<u>(3,865)</u>	<u>33,502</u>	<u>31,721</u>	<u>18,087</u>

COMMUNITY SCHOOLS TRUST

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

Comparative information ended 31 August 2017 As restated	Notes	Unrestricted	Restricted funds:		Total
		Funds £'000	General £'000	Fixed asset £'000	2017 £'000
Income and endowments from:					
Donations and capital grants	3	30	-	108	138
Donations - transfer from local authority on conversion	24	138	(1,947)	19,729	17,920
Charitable activities:					
- Funding for educational operations	4	-	6,907	-	6,907
Other trading activities	5	123	-	-	123
Investments	6	1	-	-	1
Total		292	4,960	19,837	25,089
Expenditure on:					
Charitable activities:					
- Educational operations	9	98	6,907	163	7,168
Total	7	98	6,907	163	7,168
Net income/(expenditure)		194	(1,947)	19,674	17,921
Transfers between funds	17	-	108	(108)	-
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension schemes	19	-	166	-	166
Net movement in funds		194	(1,673)	19,566	18,087
Reconciliation of funds					
Total funds brought forward		-	-	-	-
Total funds carried forward		194	(1,673)	19,566	18,087

COMMUNITY SCHOOLS TRUST

BALANCE SHEET

AS AT 31 AUGUST 2018

		2018		2017 as restated	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	13		33,502		19,566
Current assets					
Debtors	14	2,023		286	
Cash at bank and in hand		1,752		1,209	
		<u>3,775</u>		<u>1,495</u>	
Current liabilities					
Creditors: amounts falling due within one year	15	(1,258)		(1,001)	
Net current assets			2,517		494
Net assets excluding pension liability			36,019		20,060
Defined benefit pension scheme liability	19		(4,298)		(1,973)
Net assets			<u>31,721</u>		<u>18,087</u>
Funds of the academy trust:					
Restricted funds	17				
- Fixed asset funds			33,502		19,566
- Restricted income funds			433		300
- Pension reserve			(4,298)		(1,973)
Total restricted funds			<u>29,637</u>		<u>17,893</u>
Unrestricted income funds	17		2,084		194
Total funds			<u>31,721</u>		<u>18,087</u>

The financial statements on pages 20 to 45 were approved by the directors and authorised for issue on 29 November 2018 and are signed on their behalf by:

S Elliott
CEO

J Tallis
Chair

Company Number 10337377

COMMUNITY SCHOOLS TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

		2018		2017 as restated	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net cash provided by operating activities	20		350		978
Cash funds transferred on conversion			-		122
			<u>350</u>		<u>1,100</u>
Cash flows from investing activities					
Dividends, interest and rents from investments		1		1	
Capital grants from DfE Group		192		108	
		<u>193</u>		<u>109</u>	
Net cash provided by investing activities			193		109
Net increase in cash and cash equivalents in the reporting period			543		1,209
Cash and cash equivalents at beginning of the year			1,209		-
Cash and cash equivalents at end of the year			<u>1,752</u>		<u>1,209</u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

Community Schools Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the directors' report.

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

1.1 Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Community Schools Trust meets the definition of a public benefit entity under FRS 102.

1.2 Going concern

The directors assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The directors make this assessment in respect of a period of at least 1 year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £Nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from The Cumberland School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Charitable expenditure – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 24.

1.4 Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Interest receivable

Interest receivable is included within the statement of financial activities on a receivable basis.

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

1.6 Tangible fixed assets and depreciation

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

The Forest Gate School land and buildings have been included at the valuation provided have been included at the valuation provided by the EFA when completing their desktop valuation.

The trust has a 125 year lease from the date of conversion for the land and building for Forest Gate School.

The building used by Cumberland School, a school within Community School Trust, were constructed under a Private Finance Initiative (PFI) contract between London Borough of Newham and a private contractor. The project was completed prior to the school's conversion to Academy status. On conversion, the Academy Trust entered into a School Agreement with London Borough of Newham which transferred the main obligations under the PFI Contract to the Academy Trust. The PFI contract is due to end on 31 August 2029.

The Academy Trust is responsible for the revenue costs of maintaining the facilities and annual services included in the contract e.g. catering, rates and insurance. The payments made to London Borough of Newham in respect of the PFI Contract unitary charge relating to these revenue costs are therefore expensed in the Statement of Financial Activities in the period to which they relate.

Once the PFI contract has ended the building will be capitalised.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Land and buildings	Building, 50 years. (Land is not depreciated)
--------------------	---

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of financial activities.

1.7 Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.8 Leasing commitments

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.9 Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows.

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.10 Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.11 Pensions benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate..

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

1.12 Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the directors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

2 Critical accounting estimates and areas of judgement

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Bad debts

Debtors are regularly reviewed for recoverability, any debts which in the opinion of management are not recoverable are provided for as a specific bad debt.

There are no other key assumptions concerning the future or other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Contributions to visits	23	-	23	17
Capital grants	-	192	192	108
Other donations	40	4	44	13
	<hr/>	<hr/>	<hr/>	<hr/>
	63	196	259	138
	<hr/>	<hr/>	<hr/>	<hr/>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

4 Funding for the academy trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
DfE / ESFA grants				
General annual grant (GAG)	-	10,401	10,401	6,144
Start up grants	-	-	-	80
Other DfE group grants	-	680	680	357
	<u>-</u>	<u>11,081</u>	<u>11,081</u>	<u>6,581</u>
Other government grants				
Local authority grants	-	1,004	1,004	326
	<u>-</u>	<u>1,004</u>	<u>1,004</u>	<u>326</u>
Other funding				
Other incoming resources	-	24	24	-
	<u>-</u>	<u>24</u>	<u>24</u>	<u>-</u>
Total funding	<u>-</u>	<u>12,109</u>	<u>12,109</u>	<u>6,907</u>

5 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Hire of facilities	188	-	188	91
Other income	28	32	60	32
	<u>216</u>	<u>32</u>	<u>248</u>	<u>123</u>

6 Investment income

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Short term deposits	1	-	1	1
	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

7 Expenditure

	Staff costs £'000	Non Pay Expenditure Premises £'000	Other £'000	Total 2018 £'000	Total 2017 £'000
Academy's educational operations					
- Direct costs	7,760	178	692	8,630	5,024
- Allocated support costs	2,087	1,204	814	4,105	2,144
	<u>9,847</u>	<u>1,382</u>	<u>1,506</u>	<u>12,735</u>	<u>7,168</u>

Net income/(expenditure) for the year includes:

	2018 £'000	2017 £'000
Fees payable to auditor for:		
- Audit	12	10
- Other services	7	3
Operating lease rentals	43	30
Depreciation of tangible fixed assets	178	163
Net interest on defined benefit pension liability	73	41
	<u>73</u>	<u>41</u>

8 Central services

No central services were provided by the academy trust to its academies during the year and no central charges arose.

9 Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Direct costs				
Educational operations	35	8,595	8,630	5,024
Support costs				
Educational operations	-	4,105	4,105	2,144
	<u>35</u>	<u>12,700</u>	<u>12,735</u>	<u>7,168</u>

	2018 £'000	2017 £'000
Analysis of support costs		
Support staff costs	2,075	1,157
Technology costs	270	194
Premises costs	1,204	376
Other support costs	408	363
Governance costs	148	54
	<u>4,105</u>	<u>2,144</u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

10 Staff

Staff costs

Staff costs during the year were:

	2018	2017
	£'000	£'000
Wages and salaries	7,134	4,289
Social security costs	770	451
Pension costs	1,123	656
	<u>9,027</u>	<u>5,396</u>
Staff costs	9,027	5,396
Agency staff costs	562	308
Staff restructuring costs	100	43
Staff development and other staff costs	158	31
	<u>9,847</u>	<u>5,778</u>
Total staff expenditure	<u>9,847</u>	<u>5,778</u>

Staff restructuring costs comprise:

Redundancy payments	<u>100</u>	<u>43</u>
---------------------	------------	-----------

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £100k (2017: £43k). Individually, the payments were: £34k, £21k, £15k, £10k, £8k, £6k and £6k (2017: £8k, £8k, £7k, £7k, £7k and £5k).

Staff numbers

The average number of persons, by headcount, employed by the academy trust during the year was as follows:

	2018	2017
	Number	Number
Teachers	175	77
Administration and support	133	43
Management	25	3
	<u>333</u>	<u>123</u>
	<u>333</u>	<u>123</u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

10 Staff

(Continued)

Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2018 Number	2017 Number
£60,000 - £70,000	12	4
£70,001 - £80,000	5	1
£80,001 - £90,000	3	2
£90,001 - £100,000	1	1
£100,001 - £110,000	2	1
£110,001 - £120,000	1	-
	<u> </u>	<u> </u>

Key management personnel

The key management personnel of the academy trust comprise the directors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £354k (2017: £289k.)

11 Directors' remuneration and expenses

One or more of the directors has been paid remuneration or has received other benefits from an employment with the academy trust. The CEO and other staff directors only receive remuneration in respect of services they provide undertaking the roles of CEO and staff members under their contracts of employment, and not in respect of their services as directors.

The value of directors' remuneration and other benefits was as follows:

S Elliott (CEO):

- Remuneration £120,000- £125,000 (2017: £105,000 - £110,000)
- Employer's pension contributions £15,000 - £20,000 (2017: £15,000 - £20,000)

During the year, travel and subsistence payments totalling £488 were reimbursed or paid directly to directors.

Other related party transactions involving the directors are set out within the related parties note.

12 Directors and officers insurance

The academy trust has opted into the Department of Skills and Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

13 Tangible fixed assets

	Land and buildings £'000
Cost	
At 1 September 2017	19,729
Transfer on conversion of The Cumberland School	14,114
	<hr/>
At 31 August 2018	33,843
	<hr/>
Depreciation	
At 1 September 2017	163
Charge for the year	178
	<hr/>
At 31 August 2018	341
	<hr/>
Net book value	
At 31 August 2018	33,502
	<hr/> <hr/>
At 31 August 2017	19,566
	<hr/> <hr/>

Included in land and buildings is land valued at £24,940k (2017: £10,826k) which is not depreciated.

14 Debtors	2018 £'000	2017 £'000
Trade debtors	1	4
VAT recoverable	108	180
Other debtors	1,645	-
Prepayments and accrued income	269	102
	<hr/>	<hr/>
	2,023	286
	<hr/> <hr/>	<hr/> <hr/>

Other debtors are made up of amounts due on conversion of The Cumberland School, the preliminary balances are as currently provided by the London Borough of Newham. See note 25 for details.

15 Creditors: amounts falling due within one year	2018 £'000	2017 £'000
Trade creditors	455	770
Other taxation and social security	360	129
Other creditors	226	70
Accruals and deferred income	217	32
	<hr/>	<hr/>
	1,258	1,001
	<hr/> <hr/>	<hr/> <hr/>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

16	Deferred income	2018	2017
		£'000	£'000
	Deferred income is included within:		
	Creditors due within one year	90	-
		<u> </u>	<u> </u>
	Deferred income at 1 September 2017	-	-
	Resources deferred in the year	90	-
		<u> </u>	<u> </u>
	Deferred income at 31 August 2018	90	-
		<u> </u>	<u> </u>

At the balance sheet date, the Academy Trust was holding funds received in advance for ESFA rates, Local Authority allocation for growth, sports England and Local Authority higher needs.

17	Funds	Balance at		Gains,	Balance at	
		1 September	Income	losses and	31 August	
		2017	Expenditure	transfers	2018	
		£'000	£'000	£'000	£'000	
	Restricted general funds					
	General Annual Grant (GAG)	245	10,401	(10,415)	192	423
	Start up grants	55	-	(55)	-	-
	Other DfE / ESFA grants	-	680	(680)	-	-
	Other government grants	-	1,004	(994)	-	10
	Other restricted funds	-	60	(60)	-	-
	Pension reserve	(1,973)	(2,906)	(318)	899	(4,298)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		(1,673)	9,239	(12,522)	1,091	(3,865)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Restricted fixed asset funds					
	Transfer on conversion	-	14,114	-	(14,114)	-
	DfE group capital grants	-	192	-	(192)	-
	General Fixed Assets	19,566	-	(178)	14,114	33,502
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		19,566	14,306	(178)	(192)	33,502
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Total restricted funds	17,893	23,545	(12,700)	899	29,637
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Unrestricted funds					
	General funds	194	1,925	(35)	-	2,084
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Total funds	18,087	25,470	(12,735)	899	31,721
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Funds

(Continued)

The specific purposes for which the funds are to be applied are as follows:

General Annual Grant: Income received from the ESFA to cover the normal running costs of the Academy.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Start up grants: This includes start up grants from the ESFA.

Other DfE/ESFA grants: This includes the pupil premium, rates relief and year 7 catch up.

Other government grants: This includes SEN funding, Growth funding, Bulge class funding and pupil premium.

Other restricted funds: This includes Teach First and Sport England funding.

Comparative information in respect of the preceding period is as follows:

	Balance at 19 August 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2017 £'000
Restricted general funds					
General Annual Grant (GAG)	-	6,144	(6,007)	108	245
Start up grants	-	80	(25)	-	55
Other DfE / ESFA grants	-	357	(357)	-	-
Other government grants	-	326	(326)	-	-
Pension reserve	-	(1,947)	(192)	166	(1,973)
	-	4,960	(6,907)	274	(1,673)
Restricted fixed asset funds					
Transfer on conversion	-	19,729	-	(19,729)	-
DfE group capital grants	-	108	(163)	55	-
General Fixed Assets	-	-	-	19,566	19,566
	-	19,837	(163)	(108)	19,566
Total restricted funds	-	24,797	(7,070)	166	17,893
Unrestricted funds					
General funds	-	292	(98)	-	194
Total funds	-	25,089	(7,168)	166	18,087

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Funds

(Continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 19 August 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2018 £'000
Restricted general funds					
General Annual Grant (GAG)	-	16,545	(16,422)	300	423
Start up grants	-	80	(80)	-	-
Other DfE / ESFA grants	-	1,037	(1,037)	-	-
Other government grants	-	1,330	(1,320)	-	10
Other restricted funds	-	60	(60)	-	-
Pension reserve	-	(4,853)	(510)	1,065	(4,298)
	-	14,199	(19,429)	1,365	(3,865)
Restricted fixed asset funds					
Transfer on conversion	-	33,843	-	(33,843)	-
DfE group capital grants	-	300	(163)	(137)	-
General Fixed Assets	-	-	(178)	33,680	33,502
	-	34,143	(341)	(300)	33,502
Total restricted funds	-	48,342	(19,770)	1,065	29,637
Unrestricted funds					
General funds	-	2,217	(133)	-	2,084
Total funds	-	50,559	(19,903)	1,065	31,721

Total funds analysis by academy

	2018 £'000	2017 £'000
Fund balances at 31 August 2018 were allocated as follows:		
Forest Gate Community Schools	897	494
The Cumberland School	1,620	-
Total before fixed assets fund and pension reserve	2,517	494
Restricted fixed asset fund	33,502	19,566
Pension reserve	(4,298)	(1,973)
Total funds	31,721	18,087

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Funds

(Continued)

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff £'000	Other support staff costs £'000	Educational supplies £'000	Other costs excluding depreciation £'000	Total £'000
Forest Gate Community Schools	5,245	1,512	13	1,620	8,390
The Cumberland School	2,488	563	-	1,115	4,166
	<u>7,733</u>	<u>2,075</u>	<u>13</u>	<u>2,735</u>	<u>12,556</u>

18 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total Funds £'000
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	-	-	33,502	33,502
Current assets	2,084	1,691	-	3,775
Creditors falling due within one year	-	(1,258)	-	(1,258)
Defined benefit pension liability	-	(4,298)	-	(4,298)
Total net assets	<u>2,084</u>	<u>(3,865)</u>	<u>33,502</u>	<u>31,721</u>

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total Funds £'000
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	-	-	19,566	19,566
Current assets	194	1,301	-	1,495
Creditors falling due within one year	-	(1,001)	-	(1,001)
Defined benefit pension liability	-	(1,973)	-	(1,973)
Total net assets	<u>194</u>	<u>(1,673)</u>	<u>19,566</u>	<u>18,087</u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by The London Borough of Newham. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012, and that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £226k (2017: £69k) were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to the TPS in the period amounted to £674k (2017:£382k).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

(Continued)

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 19.3% for employers and 5.5% to 12.8% for employees.

The LGPS obligation relates to the employees of the academy trust who were employees transferred as part of the conversion from the maintained school (as described in note 24) together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Total contributions made	2018	2017
	£'000	£'000
Employer's contributions	196	111
Employees' contributions	64	37
	<hr/>	<hr/>
Total contributions	260	148
	<hr/> <hr/>	<hr/> <hr/>
Principal actuarial assumptions	2018	2017
	%	%
Rate of increase in salaries	3.80	4.2
Rate of increase for pensions in payment/inflation	2.30	2.7
Discount rate for scheme liabilities	2.65	2.6
Inflation assumption (CPI)	2.30	2.7
Commutation of pensions to lump sums	50	50
	<hr/> <hr/>	<hr/> <hr/>

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2018	2017
	Years	Years
Retiring today		
- Males	22.7	22.6
- Females	25.2	25.1
Retiring in 20 years		
- Males	24.9	24.8
- Females	27.5	27.4
	<hr/> <hr/>	<hr/> <hr/>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

(Continued)

Scheme liabilities would have been affected by changes in assumptions as follows:

	2018 £'000	2017 £'000
Discount rate + 0.1%	(179)	-74
Discount rate - 0.1%	183	76
Mortality assumption + 1 year	246	101
Mortality assumption - 1 year	(238)	98
Salary + 0.1%	(22)	-14
Salary - 0.1%	22	13

Defined benefit pension scheme net liability

Scheme assets	3,307	1,182
Scheme obligations	(7,605)	(3,155)
Net liability	(4,298)	(1,973)

The academy trust's share of the assets in the scheme

	2018 Fair value £'000	2017 Fair value £'000
Equities	1,962	685
Gilts	113	55
Other Bonds	316	106
Cash	240	207
Property	320	77
Other assets	356	52
Total market value of assets	3,307	1,182

The actual return on scheme assets was £101,000 (2017: £117,000).

Amount recognised in the Statement of Financial Activities

	2018 £'000	2017 £'000
Current service cost	440	261
Interest income	(50)	(22)
Interest cost	123	63
Benefit changes, curtailments and settlements gains or losses	-	1
Administration expenses	1	-
Total operating charge	514	303

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations	(Continued)	
Changes in the present value of defined benefit obligations	2018	2017
	£'000	£'000
At 1 September 2017	3,155	-
Obligations acquired on conversion	4,713	2,866
Current service cost	440	261
Interest cost	123	63
Employee contributions	64	37
Actuarial gain	(848)	(71)
Benefits paid	(43)	(1)
Effect of non-routine settlements and administration expenses	1	-
	<u>7,605</u>	<u>3,155</u>
At 31 August 2018	<u>7,605</u>	<u>3,155</u>
Changes in the fair value of the academy trust's share of scheme assets	2018	2017
	£'000	£'000
At 1 September 2017	1,182	-
Assets acquired on conversion	1,807	919
Interest income	50	22
Actuarial gain	51	95
Employer contributions	196	111
Employee contributions	64	37
Benefits paid	(43)	(1)
Effect of non-routine settlements	-	(1)
	<u>3,307</u>	<u>1,182</u>
At 31 August 2018	<u>3,307</u>	<u>1,182</u>

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

20 Reconciliation of net income to net cash flow from operating activities

	2018 £'000	2017 £'000
Net income for the reporting period (as per the Statement of Financial Activities)	12,735	17,921
Adjusted for:		
Net surplus on conversion to academy	(12,853)	(17,920)
Cash due from LA on conversion	1,645	-
Capital grants from DfE/ESFA and other capital income	(192)	(108)
Investment income receivable	(1)	(1)
Defined benefit pension costs less contributions payable	245	151
Defined benefit pension net finance cost	73	41
Depreciation of tangible fixed assets	178	163
(Increase) in debtors	(1,737)	(286)
Increase in creditors	257	1,001
Stocks, debtors and creditors transferred on conversion	-	16
Net cash provided by operating activities	<u>350</u>	<u>978</u>

21 Commitments under operating leases

At 31 August 2018 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £'000	2017 £'000
Amounts due within one year	21	16
Amounts due in two and five years	43	7
	<u>64</u>	<u>23</u>

22 Related party transactions

Owing to the nature of the academy trust's operations and the composition of the board of directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the academy trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures.

No related party transactions took place in the period of account other than certain directors' remuneration and expenses already disclosed in note 11.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

23 Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

24 Conversion to an academy

On 1 May 2018 the Cumberland School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Community Schools Trust from the Local Authority of Newham for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain/loss in the statement of financial activities as donations – transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

Academy	Location	Date of conversion
The Cumberland School	Newham	1 May 2018

	2018 £'000
Net assets transferred:	
Freehold land and buildings	14,114
Cash	1,645
LGPS pension surplus/(deficit)	(2,906)
	<u>12,853</u>

	Unrestricted Funds £'000	Restricted funds: General Fixed asset £'000 £'000		Total 2018 £'000
Funds surplus/(deficit) transferred:				
Fixed assets funds	-	-	14,114	14,114
LA budget funds	1,645	-	-	1,645
LGPS pension funds	-	(2,906)	-	(2,906)
	<u>1,645</u>	<u>(2,906)</u>	<u>14,114</u>	<u>12,853</u>

Cash on conversion is made up of a preliminary balances as currently provided by the London Borough of Newham.

COMMUNITY SCHOOLS TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

25 Prior period adjustment

		1 September 2016 £'000	31 August 2017 £'000
Reconciliation of funds	Notes		
Funds as previously reported		-	(1,479)
Adjustments arising:			
Increase in tangible fixed assets		-	19,566
Funds as restated		-	18,087
Reconciliation of net income for the previous financial period	Notes		2017 £'000
Net expenditure as previously reported			(1,645)
Adjustments arising:			
Increase in transfers on conversion			19,729
Depreciation charge			(163)
Net income as restated			17,921