

HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

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**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Governors

J Boland (appointed 4 July 2011)
M Clements (appointed 10 June 2011)
S A Johnson (appointed 10 June 2011)
P Keeling (appointed 30 May 2012)
G A Kirby (appointed 4 July 2011)
R Loader (appointed 10 June 2011)
J McCartney (appointed 4 July 2011)
J R Phillips (appointed 4 July 2011)
L Price, Chair (appointed 10 June 2011)
A Salter (appointed 4 July 2011)
G N Smith, Principal (appointed 10 June 2011)
K E Smith (appointed 10 June 2011)
E Stephenson (appointed 8 September 2011, resigned 2 February 2012)
K Turner (appointed 10 June 2011)
C Vining (appointed 4 July 2011)
A C Williams (appointed 4 July 2011)
V F Wright (appointed 4 July 2011, resigned 7 September 2012)

**Company registered
number** 07665387

**Principal and Registered
office** Honiton Community College Academy Trust
School Lane
Honiton
Devon
EX14 1QT

Company secretary S L Matthews

Accounting officer G N Smith

Auditors Bishop Fleming
Chartered Accountants
Statutory Auditors
2nd Floor Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

Bankers Lloyds TSB Commercial
234 High Street
Exeter
Devon
EX4 3NL

Solicitors Foot Anstey LLP
Senate Court
Southernhay Gardens
Exeter
Devon
EX1 1NT

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**GOVERNORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2012**

The Governors present their annual report together with the financial statements and auditors' report of the charitable company for the period ended 31 August 2012.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy (incorporated on 10 June 2011 and opened as an Academy on 1 July 2011) is a charitable 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.

The Governors act as the Trustees for the charitable activities of Honiton Community College Academy Trust and are also the directors of the charitable company for the purposes of company law.

Details of the Governors who served throughout the period, except as noted, 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 Company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they cease to be a member.

Governors' Indemnities

Governors benefit from indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust, provided that any such insurance shall not extend to any claim arising from any act or omission which the Governors knew to be a breach of trust or breach of duty or which was committed by the Governors in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Directors of the Academy Trust. The limit of this indemnity is £25m.

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £25m on any one claim.

Principal Activity

The principal activity is to advance for the public benefit by establishing, maintaining, carrying on, managing and developing a secondary school offering a broad and balanced curriculum.

The principal activity of the Academy is to provide free education for pupils of different abilities between the ages of 11 to 18.

GOVERNORS

Method of recruitment and appointment or election of Governors

On 01 July 2011 the Trustees appointed all those Governors that served the predecessor school to be Governors of the newly formed Academy. These Governors were appointed on a term of office that would end when their original term at the predecessor school would have ended, thus ensuring a staggered re-election or replacement process.

The Academy's Governing Body comprises the Principal, a minimum of 6 Parent Governors, up to 3 Staff Governors (providing that the total number of Governors, including the Principal, who are employees of the Academy Trust, does not exceed one third of the total number of Governors) and up to 6 other Governors.

The Academy Trust shall have the following Governors as set out in its Articles of Association and funding agreement:

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- up to 6 Governors who are appointed by members.
- up to 6 Parent Governors who are elected by Parents of registered pupils at the Academy.
- up to 3 staff Governors who are elected by staff and appointed by the Governing Body.
- the Principal who is treated for all purposes as being an ex-officio Governor.

Governors are appointed for a four year period, except that this time limit does not apply to the Principal. Subject to remaining eligible to be a particular type of Governor, any Governor can be re-appointed or re-elected.

When appointing new Governors, the Board will give consideration to the skills and experience mix of existing Governors in order to ensure that the Board has the necessary skills to contribute fully to the Academy's development.

Policies and Procedures adopted for the Induction and Training of Governors

The training and induction provided for new Governors will depend upon their existing experience but would always include a tour of the Academy and a chance to meet staff and pupils. All Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors. As there are normally only two or three new Governors a year, induction tends to be done informally and is tailored specifically to the individual. Advantage is taken of specific courses offered by the Local Authority and other bodies.

There is a Governors' annual training session organised each year which aims to keep the Governors updated on relevant developments impacting on their roles and responsibilities

Organisational Structure

The Board of Governors normally meets once each half term. The Board establishes an overall framework for the governance of the Academy and determines membership, terms of reference and procedures of Committees and other groups. It receives reports including policies from its Committees for ratification. It monitors the activities of the Committees through the minutes of their meetings. The Board may from time to time establish Working Groups to perform specific tasks over a limited timescale.

There are 5 committees as follows;

Campus and Health and Safety Committee

Purpose of the Committee:

To oversee the allocation and use of Honiton Community College resources dedicated to the Campus, Health and Safety and the environment. To ensure a safe and appropriate environment for all students, staff and visitors now and in the future.

Membership:

- a) Membership shall consist of not less than four governors plus the Principal and/or a member of the Executive Leadership Team.
- b) The committee shall have such co-opted, non-voting members as the governing body shall appoint. The committee may make the recommendations for these appointments.

Quorum:

The quorum shall be three.

Meetings:

The committee shall meet once a term or otherwise as required. The agenda will be split into sections for:

- Campus – major build & long term planning
- Campus – repairs, improvements & maintenance
- Health & Safety
- Dining Room & Catering

Area of Responsibility: Campus

- i) To provide support and guidance for the Principal on all matters relating to the College premises and grounds, security, health and safety and environmental issues

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**GOVERNORS' REPORT (continued)
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- ii) To carry out an annual inspection of the premises and grounds and prepare a statement of priorities for maintenance and improvement (with reference to the Asset Management Plan). To include monitoring the delivery of recommendations made.
- iii) To approve the costs and arrangements for maintenance, repairs and redecoration within the budget allocation.
- iv) To ensure that the College complies with Health & Safety Regulations, taking advice when necessary.
- v) To oversee the preparation and implementation of contracts, ensuring best value principles are adhered to.
- vi) To agree a lettings policy.
- vii) To establish and keep under review a campus strategy covering the next 10 years.
- viii) To keep under review a rolling 3 year, costed, repairs plan.

Area of Responsibility: Health and Safety

- i) To agree a Health and Safety Policy appropriate to the needs of the College and to review this on an annual basis.
- ii) To assist the Governing Body and Principal to discharge their responsibilities under relevant legislation.
- iii) To consider model policies on Health and Safety and agree policies for adoption.
- iv) To ensure that the necessary college management organisation is in place to implement the policy.
- v) To monitor the effectiveness of the College's Health and Safety arrangements.

Area of Responsibility: Dining Room and Catering

- i) To monitor the contract with Innovate & ensure College needs are met.
- ii) To ensure (taking advice when necessary) that nutritional standards are met.
- iii) To periodically ascertain student views of the service.
- iv) Meet with the Catering Manager on a regular basis.

Curriculum Committee

Membership:

- a) Membership shall consist of not less than four governors, the Principal (ex officio) and at least one member of the Executive Leadership Team.
- b) The committee shall have such co-opted, non-voting members as the governing body shall appoint. The committee may make the recommendations for these appointments.

Quorum:

The quorum shall be four governors.

Meetings:

The committee shall meet at least once a term or otherwise as required.

Area of Responsibility:

- i) To report to the governing body on the implementation of the College's curriculum statement, taking in to account, national initiatives and accountability structures.
- ii) With the staff, to monitor how the curriculum is taught, its effectiveness and how it is resourced.
- iii) To review the College policies appropriate to the committee and make any recommendations to the governing body.
- iv) To review any information about the College's performance and to report back to the Overview and Scrutiny Committee and the Full Governing Body.
- v) To contribute to the College Improvement Plan and to monitor its implementation within the scope of this committee.
- vi) To ensure that all governors develop a clear understanding of how the College curriculum is delivered.
- vii) The committee will liaise with other committees as appropriate.
- viii) To ensure that the requirements of all students are met. In particular ensuring that those students with additional educational needs are met through monitoring the SEN disability and equality policies and any arrangement for G&T students. This is also to include other groupings i.e. Free school meals, gender, looked after children, ethnicity, travellers, English as an additional language, prior attainment (High, middle, low).
- ix) To monitor the wider curriculum, including Extended Schools, Enrichment, Work Experience, SMSC (Social, Moral, Social, Cultural) and CEIAG (Careers Education Information Advice Guidance).

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Finance Committee

Purpose of the Committee:

- To assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the academy's finances.
- To ensure that the Academy undertakes proper financial planning, monitoring and probity.
- To make appropriate comments and recommendations on such matters to the governing body on a regular basis.
- Major issues will be referred to the full governing body for ratification.

Membership:

- a) Membership of the committee shall consist of not less than four governors plus the principal and / or a member of the Executive Leadership Team. The Director of Finance shall be an ex-officio member of the committee.
- b) The committee shall have such co-opted, non voting members as the governing body shall appoint. The committee may make the recommendations for these appointments.

Quorum:

The Quorum shall be three members. The committee shall not meet without the Principal being present or a substitute nominated by him / her.

Meetings:

The committee shall meet twice a term or otherwise as required.

Area of Responsibility:

Subject to statutory requirements, the committee is authorised:

- In consultation with the Principal and taking into consideration:
 - available resources;
 - sustainability of commitments;
 - the college improvement plan (CIP);
 - forecast student numbers;
 - anticipated contractual liabilities; and
 - other relevant factors.
- To consider the academy's indicative funding, notified annually by the EFA, and to assess its implications for the academy, in consultation with the Principal, in advance of the financial year, drawing any matters of significance or concern to the attention of the governing body.
- To scrutinise, consider and recommend acceptance/non-acceptance of the academy's annual and three year budget to the governing body, at the start of each financial year.
- To contribute to the formulation of the academy's development plan, through the consideration of financial priorities and proposals, in consultation with the Principal, with the stated and agreed aims and objectives of the academy.
- To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the College Improvement Plan (CIP).
- To liaise with and receive reports from the other committees, as appropriate, and to make recommendations to those committees about the financial aspects of matters being considered by them.
- To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the academy, and with the financial regulations of the EFA, drawing any matters of concern to the

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attention of the governing body. As part of this the committee will:

- Make decisions in relation to service level agreements, in accordance with the scheme of delegation;
 - Approve non routine expenditure (not provided for in the CIP) in accordance with the scheme of delegation;
 - Ensure that the principles of best value are followed when making decisions and within the college;
 - Monitor statistic, performance indicators and key ratios and other non financial data affecting the budget, directing action as appropriate; and
 - Monitor capital expenditure and take appropriate steps in the event of possible under / over spending.
- To monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and, where appropriate to make recommendations for improvement. As part of this the committee will:
 - Establish and recommend appropriate policies (to include recommended levels of delegated authority) to the governing body. This will include:
 - Finance Policy
 - Budget Monitoring Policy
 - Procurement Policy
 - Charging and Remissions Policy
 - Lettings Policy
 - Governors Expenses Policy
 - Review all policies and levels of charges annually and recommend changes as appropriate.
 - To approve the financial statement to form part of the annual report of the governing body to parents and for filing in accordance with Companies Act and Charity Commission requirements
 - To receive auditors' reports and to recommend to the full governing body action as appropriate in response to audit findings.
 - To recommend to the governing body the appointment of a Responsible Officer.
 - To recommend to the full governing body the appointment or reappointment of the auditors of the academy.

Matters of Urgency:

These may be dealt with by the Chair of Governors, Chair of Finance and the Principal and reported to the next meeting of the Committee or of the full governors.

Withdrawal:

Any relevant person employed to work at the college other than the Principal, when the subject for consideration is the pay or performance review of any person employed to work at the college.

Personnel Committee

Membership:

- a) Membership shall consist of not less than four governors plus the Principal and/or a member of the Executive Leadership Team.
- b) The committee shall have such co-opted non-voting members as the governing body shall appoint. The committee may make the recommendations for these appointments.

Quorum:

The quorum shall be three.

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Meetings:

The committee shall meet at least once a term or otherwise as required.

Purpose of committee:

The purpose of this committee is to ensure that Honiton Community College Academy Trust delivers through its staff, both teaching and support, the best possible teaching and learning environment to its students with the available resources, by ensuring the following:

- i) The College has appropriate HR policies in place – by drafting and keeping under review all HR policies for approval by the governing body and undertaking any formal consultations on personnel matters
- ii) Policies are implemented – by requesting and receiving regular reports for monitoring and review purposes and ensuring recommended actions are taken.
- iii) Staff performance is monitored and improved – by ensuring the college has a rigorous and effective performance management process in place that is implemented efficiently; and by using the resulting data from this process to make recommendations for improvements to standards and help deliver the best possible teaching to students with the resources available.
- iv) Staff have appropriate terms and conditions – such that:
 - a. Priority is given to ensuring that staff terms and conditions of service are at least commensurate with national policy and in the best interests of the staff.
 - b. Criteria are proposed for the approval of the governing body about the use of discretionary elements of pay provisions, and recommendations made about implementing them.
 - c. Liaison takes place with the Finance Committee to establish the annual and longer term salary budgets and other costs relating to personnel e.g. training.
- v) The College has an appropriate staffing structure – by reviewing the staffing structure whenever a vacancy occurs and at least annually, in relation to the College Management plan to ensure the best value for money arrangements.
- vi) Effective staff recruitment activity takes place – through having selection panels normally containing, where possible, at least one trained member of the Personnel Committee or Full Governing Body other than the Principal. The Principal has delegated authority to make all appointments of supply teachers and part time appointments.
- vii) Also – by exercising such powers as the governing body may delegate.

Overview and Scrutiny

Purpose of the Committee:

To act as an Executive Committee where ELT and governors can raise issues for detailed discussion and high level scrutiny can take place.

Membership:

- a) Membership shall consist of the Chair of Governors (who will be Chair of the Committee), Chair of the Finance, Campus and Health & Safety, Personnel and Curriculum Committees. Plus the designated Science Department Link Governor and the College Executive Leadership Team.
- b) The committee shall have such co-opted, non-voting members as the governing body shall appoint. The committee may make the recommendations for these appointments.
- c) The Chair and Vice Chair of the College Executive Team (CET) will be invited as observers.

Quorum:

The quorum shall be three governors and two members of the Executive Leadership Team.

Meetings:

The committee shall meet once each half term or otherwise as required.

Terms of Reference:

Area of Responsibility

- i) To monitor the College Improvement Plan regularly and rigorously three times a year with regard to the Specialist Status actions.
- ii) To monitor the college Self Evaluation Form (SEF).

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- iii) To discuss Ofsted reports and monitor Action Plans
- iv) To monitor progress plans and student progress expected within those plans.
- v) To receive SIP notes on College visits

The following decisions are reserved to the Board of Governors; to consider any proposals for changes to the status or constitution of the Academy and its committee structure, to appoint or remove the Chairman and/or Vice Chairman, to appoint the Principal and Clerk to the Governors, to approve the College Improvement Plan and budget.

The Governors are responsible for setting general policy, adopting an annual plan and budget, approving the statutory accounts, monitoring the Academy by the use of budgets and other data, and making major decisions about the direction of the Academy, capital expenditure and staff appointments.

The Academy has a leadership structure which comprises of the Executive Leadership Team (ELT). The aim of the leadership structure is to devolve responsibility and encourage involvement in decision making at all levels. The Governors govern and the ELT lead and manage.

The Trustees and Board of Governors have devolved responsibility for day to day leadership management of the Academy to the Principal and the rest of the ELT. The ELT consists of the Principal, Vice Principal, three Assistant Principals and the Director of Finance. The ELT controls the Academy at an executive level, implementing the policies laid down by the Governors and reporting back to them. The Principal, Director of Finance, Finance committee, Campus and Health & Safety Committee are responsible for the authorisation of spending within agreed budgets; a summary of this is in the Scheme of Delegation. Some spending control is devolved to Budget Holders which must be authorised in line with the Scheme of Delegation. The Principal is responsible for the appointment of staff, though appointment panels for teaching posts always include a Governor.

The Principal is the Accounting officer.

Risk management

The Governors have implemented a system to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health & safety and trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of Academy grounds) 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 Statement of Internal Control.

The Academy has undertaken a full review of the main areas of risk which it faces. This includes all health and safety and child protection policies and procedures. In addition a review of all financial risks is undertaken on a regular basis.

The Academy has a formal risk management process to assess business risks and to implement risk management strategies. This process involves identifying the types of risk the Academy faces, scoring and prioritising the risks in terms of their potential operational and financial impact, assessing the likelihood of occurrence and identifying means of mitigating the risks. A Risk Register is maintained and reviewed on a regular basis.

Connected Organisations, including Related Party

The Academy has a shared use agreement with Leisure East Devon for use of the sports facilities.

The Academy has strong collaborative links with all feeder primary schools which form part of the Honiton Learning Community.

There are no related parties which either control or significantly influence the decisions and operations of Honiton

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Community College Academy Trust. There are no sponsors of the Academy but there is a Parent Staff Friend Association linked with the Academy.

OBJECTIVES AND ACTIVITIES

Objects and Aims

The principal object and activity of the Academy is to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on, managing and developing a school, offering a broad range of curriculum for pupils of different abilities, with a strong emphasis on Science.

The aims of the Academy during the year/period ended 31 August 2012 are summarised below:

- to continue to raise the standard of educational attainment and achievement of all pupils.
- to provide a broad and balanced curriculum, including extra curricular activities.
- to develop students as more effective learners.
- To enhance the tertiary provision and outcomes.
- to develop the Academy site so that it enables students to achieve their full potential.
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care.
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review.
- to maximise the number of students who achieve 5+ A* - C GCSE grades including English and Maths.
- to provide value for money for the funds expended.
- to develop greater coherence, clarity and effectiveness in school systems.
- to comply with all appropriate statutory and curriculum requirements.
- to maintain close links with industry and commerce.
- to develop the Academy's capacity to manage change, and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness.

At Honiton Community College Academy Trust we aim to get the best for, and from, each child. We intend to enable each child to realise his or her full academic, creative and physical potential and to develop positive social and moral values. Our Academy is a community in which children, staff and parents should be part of a happy and caring environment.

Objectives, Strategies and Activities

Key priorities for the year are contained in our College Improvement Plan which is available on the College Website. Improvement focuses identified for this year include:

- To continue to raise outcomes at Key stages 4 and 5.
- To continue to improve learning and teaching across the College.
- To continue to improve the curriculum of the College
- To continue to improve Leadership and Management of the College.
- To continue to get best value from finances and resources (inc. Campus) of the College.

Key activities and targets were identified in the College Improvement Plan and were influenced by the significant challenges and opportunities arising from national changes in education policy and funding, including the conversion to Academy status. The activities included the following:

- Continued review of appraisal activities.
- review of staffing levels in the light of budgetary pressure.
- further development of the website to support administration, communication and learning and teaching.
- development and embedding of key financial and administrative procedures arising from conversion.
- continued development of systems for tracking and monitoring pupil attainment.
- range of activities to promote community adhesion and support of other charities activities.

Public Benefit

The Governors confirm that they have complied with the requirement in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the academy's aims and objectives and in planning its future

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activities.

The Academy aims to advance for the public benefit, education in Honiton and the surrounding area. In particular, but without prejudice to the aforesaid, by estimating, maintaining, managing and developing schools, offering a broad curriculum.

The Academy provides facilities for recreational and other leisure time occupation for the community at large in the interests of social welfare and with the interest of improving the life of the said community.

ACHIEVEMENTS AND PERFORMANCE

Achievements and Performance

The Academy is in its first year of operation and achieved the forecast number of students. The total number of students in the year ended 31 August 2012 was 932 but this has decreased to 874 in September 2012 due to a downward demographic trend, reflected country wide.

At Key Stage 4, a particularly challenging year group achieved good results for their cohort although the results were lower than the previous year. This reflects the high level of need in the year group. Children in Year 11 also had a high level of Special Needs, but despite this they managed to perform above National Averages. This demonstrates the excellent teaching of the staff at Honiton Community College. We were particularly impressed with the results of the higher attaining pupils, with comparatively high percentages of pupils attaining A*/A than in previous years.

GCSE

The College achieved 53% of students 5+GCSE A*-C inc. English and Maths
80% of students achieved 5+ GCSE A*-C

Examination results for 2012 represented an improvement in A2 results. The Academy achieved a 93% pass rate in A2 exams.

To ensure that standards are continually assessed, the Academy operates a programme of lesson observations, which are undertaken by the Department Heads and the ELT.

The Academy was inspected by OFSTED in June 2011 and was judged to be Good with Outstanding features.

Going Concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the academy has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Key Financial Performance Indicators

The following KPI's were set at the start of the year:

	Target	Actual
GSCE A*-C Inc Eng and Ma	61%	53%
GCSE 5+	80%	80%
Sixth form entry points	200	180
Attendance	94%	94%

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FINANCIAL REVIEW

Financial Review

Most of the Academy's income is obtained from the DfE via the YPLA (subsequently EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the year ended 31 August 2012 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 DfE and 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 useful life of the assets concerned, as defined in the Academy's accounting policies.

During the year ended 31 August 2012, total expenditure of £5,924,390 was covered by recurrent grant funding from the DfE and together with other incoming resources together totalling £6,148,392. The excess of income over expenditure for the year (excluding restricted fixed asset funds, pension reserves and donations on conversion) was £224,002.

At 31 August 2012 the net book value of fixed assets was £10,365,608 and movements in tangible fixed assets are shown in note 17 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The land, buildings and other assets were transferred to the Academy upon conversion. Land and buildings were valued by the EFA on 31 August 2012 at £9,999,619 and this value has been used to determine the value on conversion.. Other assets have been included in the financial statements at a best estimate, taking into account purchase price and remaining useful lives.

The balance of the former school's budget share (£72,326) was transferred across on conversion and is shown as Unrestricted Funds.

The Academy has taken on the deficit in the Local Government Pension Scheme in respect of its non teaching staff transferred on conversion. The deficit is incorporated within the Statement of Financial Activity with details in Note 26 to the financial statements.

Key financial policies adopted or reviewed during the year include the Finance Policy which lays out the framework for financial management, including financial responsibilities of the Board, Principal, managers, budget holders and other staff, as well as delegated authority for spending. Other policies reviewed and updated included Charges and Lettings, Asset Management and Investments.

Governors have adopted a Responsible Officer Policy and appointed Devon Audit Partnership, to undertake a programme of internal checks on financial controls. During the year, the Governors received the initial report from the Responsible Officer which contained no matters of significance.

Financial and Risk Management Objectives and Policies

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to its finances, teaching, facilities and other operational areas. The Governors have implemented a number of systems to assess and minimise those risks, including internal controls described elsewhere. Where significant financial risk still remains they have ensured they have adequate insurance cover.

The Governors examine the financial health of the Academy formally every half term, reviewing performance against budgets and overall expenditure by means of regular update reports at all full Governors' and Finance Committee meetings. The Governors also regularly review cash flow forecasts and ensure sufficient funds are held to cover all known and anticipated commitments.

At the year end, the Academy had no significant liabilities arising from trade creditors or debtors where there would be a significant effect on liquidity.

The Governing Body recognises that the defined benefit scheme deficit (Local Government Pension Scheme),

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**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

which is set out in Note 26 to the financial statements, represents a significant potential liability. However as the Governors consider that the Academy is able to meet its known annual contribution commitments for the foreseeable future, this risk from this liability is minimised.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Academy are as follows:

Financial - the Academy has considerable reliance on continued Government funding through the EFA. In the last year 94% of the Academy's incoming resources was ultimately Government funded and whilst this level is expected to continue, there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

Failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Academy's finances, internal controls, compliance with regulations and legislation, statutory returns, etc. The Governors continue to review and ensure that appropriate measures are in place to mitigate these risks.

Reputational - the continuing success of the Academy is dependant on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Governors ensure that student success and achievement are closely monitored and reviewed.

Safeguarding and child protection - the Governors continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline.

Staffing - the success of the Academy is reliant on the quality of its staff and so the Governors monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning.

Fraud and mismanagement of funds - The Academy has appointed a Responsible Officer to carry out checks on financial systems and records as required by the Academy Financial Handbook. All finance staff receive training to keep them up to date with financial practice requirements and develop their skills in this area.

The Academy has continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness. A risk register is maintained and reviewed and updated on a regular basis.

Reserves Policy

The Governors 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 Governors take into consideration the future plans of the Academy, the uncertainty over future income streams and other key risks identified during the risk review.

The Academy's current level of reserves (total funds less the amount held in fixed assets funds and pension reserves) is £296,328, of which £161,263 is free reserves and £135,065 relates to unspent General Annual Grant.

Investment Policy

Governors are committed to ensuring that all funds under their control are managed in such a way as to maximise return whilst minimising risk. Any cash not required for operating expenses is placed on deposit at the most favourable rate available from providers covered by the Financial Services Compensation Scheme. Day to day management of the surplus funds is delegated to the Principal and Finance Director within strict guidelines approved by the Governing Body.

PLANS FOR FUTURE PERIODS

The Academy will continue to strive to provide outstanding education and improve the levels of performance of its pupils at all levels. The Academy will continue to aim to attract high quality teachers and support staff in order to deliver its objectives.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012**

The Academy will continue to work with partner schools to improve the educational opportunities for students in the wider community.

Full details of our plans for the future are given in our College Improvement Plan, which is available on our website or from the Clerk to the Governors.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Academy and its Governors do not act as the Custodian Trustees of any other Charity.

AUDITORS

In so far as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Governors 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 auditors, Bishop Fleming, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

This report was approved by order of the members of the Governing Body on 5 December 2012 and signed on its behalf by:

**Lynda Price
Chair of Governors**

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As governors, we acknowledge we have overall responsibility for ensuring that Honiton Community College Academy 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 Governing Body has delegated the day-to-day responsibility to the Principal, 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 Honiton Community College Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Governors' report and in the Governors' responsibilities statement. The Governing Body has formally met times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Governor	Meetings attended	Out of a possible
J Boland	6	6
M Clements	5	6
S A Johnson	6	6
P Keeling	1	1
G A Kirby	4	6
R Loader	4	6
J McCartney	3	6
J R Phillips	6	6
L Price, Chair	6	6
A Salter	5	6
G N Smith, Principal	6	6
K E Smith	4	6
E Stephenson	0	3
K Turner	6	6
C Vining	4	6
A C Williams	5	6
V F Wright	5	6

The **Finance Committee** is a sub-committee of the main Governing Body.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
R Loader (Chair)	6	7
L Price (Ex Officio)	4	7
G N Smith (Principal)	6	7
J McCartney	5	7
J R Phillips	6	7
J Boland	7	7

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 ongoing 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,

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

GOVERNANCE STATEMENT (continued)

effectively and economically. The system of internal control has been in place in Honiton Community College Academy Trust for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Governing Body has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks that has been in place for the period ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

THE RISK AND CONTROL FRAMEWORK

The academy'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 Governing Body;
- regular reviews by the Finance and General Purposes 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 (as set purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Devon Audit Partnership as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On a quarterly basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

REVIEW OF EFFECTIVENESS

As Accounting officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy 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 General Purposes Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Governing Body on 5 December 2012 and signed on their behalf, by:

Lynda Price
Chair of Governors

Glenn Smith
Accounting officer

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting officer of Honiton Community College Academy Trust I have considered my responsibility to notify the academy Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy Governing Body 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's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

Glenn Smith
Accounting officer

Date: 5 December 2012

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**GOVERNORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012**

The Governors (who act as trustees for charitable activities of Honiton Community College Academy Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Governors 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 Governors 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 grants received from the EFA/DfE have been applied for the purposes intended.

The Governors 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 Governing Body and signed on its behalf by:

Lynda Price
Chair of Governors

Date: 5 December 2012

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONITON COMMUNITY COLLEGE
ACADEMY TRUST**

We have audited the financial statements of Honiton Community College Academy Trust for the period ended 31 August 2012 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

This report is made solely to the academy'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 academy's members those matters we are required to state to them in an Auditors' 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 academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Governors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONITON COMMUNITY COLLEGE
ACADEMY TRUST**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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 governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tim Borton FCA DChA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming

Chartered Accountants

Statutory Auditors

2nd Floor Stratus House

Emperor Way

Exeter Business Park

Exeter

EX1 3QS

17 December 2012

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HONITON
COMMUNITY COLLEGE ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 19 October 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies: Accounts Direction , we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Honiton Community College Academy Trust during the period 7 June 2011 to 31 August 2012 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 Honiton Community College Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Honiton Community College Academy Trust and the EFA 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 Honiton Community College Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF HONITON COMMUNITY COLLEGE ACADEMY TRUST'S
ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT'S**

The Accounting officer is responsible, under the requirements of Honiton Community College Academy Trust's funding agreement with the Secretary of State for Education dated 01 July 2011, and the Academies Financial Handbook as published by DfE in 2012, 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 . 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 7 June 2011 to 31 August 2012 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 issued by the EFA. 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's income and expenditure.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HONITON
COMMUNITY COLLEGE ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

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 7 June 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Bishop Fleming

Chartered Accountants
2nd Floor Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

17 December 2012

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account and statement of recognised gains and losses)
FOR THE PERIOD ENDED 31 AUGUST 2012**

	Note	Unrestricted funds 2012 £	Restricted general funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
INCOMING RESOURCES					
Incoming resources from generated funds:					
Transfer from local authority on conversion	3	72,326	(594,000)	10,708,563	10,186,889
Other voluntary income	3	1,262	-	22,846	24,108
Activities for generating funds	4	348,941	-	-	348,941
Investment income	5	2,714	-	-	2,714
Incoming resources from charitable activities		5,781	5,789,694	-	5,795,475
TOTAL INCOMING RESOURCES		431,024	5,195,694	10,731,409	16,358,127
RESOURCES EXPENDED					
Costs of generating funds:					
Fundraising expenses and other costs		266,593	-	-	266,593
Charitable activities	11	3,168	5,578,927	406,185	5,988,280
Governance costs	8	-	9,463	-	9,463
TOTAL RESOURCES EXPENDED		269,761	5,588,390	406,185	6,264,336
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS					
		161,263	(392,696)	10,325,224	10,093,791
Transfers between Funds	20	-	(97,239)	97,239	-
NET INCOME FOR THE YEAR		161,263	(489,935)	10,422,463	10,093,791
Actuarial gains and losses on defined benefit pension schemes		-	(230,000)	-	(230,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		161,263	(719,935)	10,422,463	9,863,791
Total funds at 7 June 2011		-	-	-	-
TOTAL FUNDS AT 31 AUGUST 2012		161,263	(719,935)	10,422,463	9,863,791

All of the academy trust's activities derive from acquisitions in the current financial period.

The Statement of Financial Activities includes all gains and losses recognised in the period.

The notes on pages 25 to 42 form part of these financial statements.

HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)
REGISTERED NUMBER: 07665387

BALANCE SHEET
AS AT 31 AUGUST 2012

	Note	£	2012 £
FIXED ASSETS			
Tangible assets	17		10,365,608
CURRENT ASSETS			
Debtors	18	16,373	
Cash at bank and in hand		523,155	
		<u>539,528</u>	
CREDITORS: amounts falling due within one year	19	(186,345)	
		<u>353,183</u>	
NET CURRENT ASSETS			<u>353,183</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,718,791</u>
Defined benefit pension scheme liability	26		(855,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>9,863,791</u></u>
FUNDS OF THE ACADEMY			
Restricted general funds:			
General funds	20	135,065	
Fixed asset funds	20	10,422,463	
		<u>10,557,528</u>	
Restricted funds excluding pension liability			
Pension reserve		(855,000)	
		<u>9,702,528</u>	
Total restricted general funds			9,702,528
Unrestricted funds	20		161,263
TOTAL FUNDS			<u><u>9,863,791</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 5 December 2012 and are signed on their behalf, by:

Lynda Price
Chair of Governors

Glenn Smith
Accounting officer

The notes on pages 25 to 42 form part of these financial statements.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012**

	Note	Period ended 31 August 2012 £
Net cash flow from operating activities	22	511,345
Returns on investments and servicing of finance	23	2,714
Capital expenditure and financial investment	23	(97,239)
Cash transferred on conversion to an academy trust	25	106,335
INCREASE IN CASH IN THE PERIOD		523,155

All of the academy trust's activities derive from acquisitions in the current financial period.

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 31 AUGUST 2012**

	Period ended 31 August 2012 £
Increase in cash in the period	523,155
MOVEMENT IN NET FUNDS IN THE PERIOD	523,155
NET FUNDS AT 31 AUGUST 2012	523,155

The notes on pages 25 to 42 form part of these financial statements.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Academies Accounts Direction issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 COMPANY STATUS

The academy is a company limited by guarantee. In the event of the academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the academy.

1.3 FUND ACCOUNTING

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

1.4 INCOMING RESOURCES

All incoming resources are included in the Statement of financial activities when the academy is legally entitled to the income and the amount can be quantified with reasonable accuracy.

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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where there is certainty of receipt.

The value of donated services and gifts in kind provided to the academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of financial activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy's policies.

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES (continued)

1.5 RESOURCES EXPENDED

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred in the academy's educational operations.

Governance costs include the costs attributable to the academy's compliance with constitutional and statutory requirements, including audit, strategic management and Governors' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £1,000 are capitalised.

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. The related grants are credited to a restricted fixed asset fund in the Statement of financial activities and are carried forward in the Balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy's depreciation policy.

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.

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

L/Term Leasehold Property	-	2% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line

1.7 OPERATING LEASES

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

1. ACCOUNTING POLICIES (continued)

1.8 TAXATION

The academy 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 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.

1.9 PENSIONS

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the academy.

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 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 quinquennial valuations using a prospective benefit method. As stated in note 26, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy 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 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 gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

1.10 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 and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Honiton Community College to an academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for academy. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised 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 25.

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2. GENERAL ANNUAL GRANT (GAG)

	2012 £
Result and Carry Forward for the Year	
GAG Allocation for current year	5,464,972
Total GAG Available to spend	<u>5,464,972</u>
Recurrent expenditure from GAG	(5,232,668)
Fixed assets purchased from GAG	(97,239)
GAG Carried forward to next year	<u>135,065</u>
Maximum permitted GAG carried forward at end of current year (12% allocation for current year)	(552,055)
GAG to surrender to DfE	<u>(416,990)</u>
(12% rule breached if result is positive)	<u><u>No breach</u></u>

3. VOLUNTARY INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Transfer from local authority on conversion	72,326	10,114,563	10,186,889
Donations	1,262	-	1,262
Capital government grants	-	22,846	22,846
Subtotal	<u>1,262</u>	<u>22,846</u>	<u>24,108</u>
Voluntary income	<u><u>73,588</u></u>	<u><u>10,137,409</u></u>	<u><u>10,210,997</u></u>

4. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Total funds 2012 £
Lettings	33,854	-	33,854
External catering	3,650	-	3,650
Consultancy	19,757	-	19,757
Activity fees received	146,187	-	146,187
Other	145,493	-	145,493
	<u>348,941</u>	<u>-</u>	<u>348,941</u>

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5. INVESTMENT INCOME

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Total funds 2012 £
Bank interest	2,714	-	2,714
	<u>2,714</u>	<u>-</u>	<u>2,714</u>

6. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Total funds 2012 £
Education	5,781	5,789,694	5,795,475
	<u>5,781</u>	<u>5,789,694</u>	<u>5,795,475</u>

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Total funds 2012 £
DfE/EFA revenue grant			
General Annual Grant	-	5,464,972	5,464,972
Start up Grants	-	25,000	25,000
Other DfE/EFA grants	-	52,329	52,329
Other government grants non capital	-	8,346	8,346
	<u>-</u>	<u>5,550,647</u>	<u>5,550,647</u>
Other government grants			
Special Educational Needs	-	239,047	239,047
	<u>-</u>	<u>239,047</u>	<u>239,047</u>
Other funding			
Sales to students	5,781	-	5,781
	<u>5,781</u>	<u>-</u>	<u>5,781</u>
	<u>5,781</u>	<u>5,789,694</u>	<u>5,795,475</u>

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7. EXPENDITURE BY CHARITABLE ACTIVITY

SUMMARY BY FUND TYPE

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Total funds 2012 £
Education	3,168	5,985,112	5,988,280

8. GOVERNANCE COSTS

	Unrestricted funds 2012 £	Restricted general funds 2012 £	Total funds 2012 £
Auditors' remuneration	-	6,000	6,000
Auditors' non audit costs	-	2,000	2,000
Other costs	-	1,463	1,463
	-	9,463	9,463

9. DIRECT COSTS

	Education £
Pension costs / (income)	34,000
Educational supplies	39,274
Examination fees	62,901
Staff development	33,176
Other costs	16,090
Supply teachers	18,415
Wages and salaries	3,070,167
National insurance	209,700
Pension cost	360,175
Depreciation	332,017
	4,175,915

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

10. SUPPORT COSTS

	Education £
Recruitment and other staff costs	5,824
Maintenance of premises and equipment	273,816
Cleaning	20,777
Rent and rates	92,395
Heat and light	43,675
Insurance	56,288
Security and transport	44,702
Catering	30,032
Technology costs	79,643
Office overheads	57,224
Legal and professional	213,857
Bank interest and charges	2,044
Wages and salaries	694,141
National insurance	34,210
Pension cost	89,569
Depreciation	74,168
	<u>1,812,365</u>

11. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2012 £	Support costs 2012 £	Total 2012 £
Education	<u>4,175,915</u>	<u>1,812,365</u>	<u>5,988,280</u>

12. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging:

	Period ended 31 August 2012 £
Depreciation of tangible fixed assets: - owned by the charity	406,185
Auditors' remuneration	6,000
Auditors' remuneration - non-audit	2,000
	<u>414,185</u>

During the period, no Governors received any benefits in kind.
During the period, no Governors received any reimbursement of expenses.

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**NOTES TO THE FINANCIAL STATEMENTS
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13. STAFF COSTS

Staff costs were as follows:

	Period ended 31 August 2012 £
Wages and salaries	3,764,308
Social security costs	243,910
Other pension costs (Note 26)	449,744
	<hr/>
	4,457,962
	<hr/> <hr/>

The average number of persons (including the senior management team) employed by the academy during the period expressed as full time equivalents was as follows:

	Period ended 31 August 2012 No.
Teachers	59
Administration and support	77
Senior management	6
	<hr/>
	142
	<hr/> <hr/>

The number of employees whose annual emoluments fell within the following bands was:

	Period ended 31 August 2012 No.
In the band £60,001 - £70,000	1
In the band £70,001 - £80,000	1
	<hr/>
	2
	<hr/> <hr/>

Both of the above employees participated in the Teacher's Pension Scheme. During the period ended 31 August 2012, annual pension contributions for these staff amounted to £19,896.

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14. GOVERNORS' REMUNERATION

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, from the academy in respect of their role as governors. The value of governors' remuneration for the **14 month period** was as follows: 1 x £90,000 - £95,000, 1 x £20,000 - £25,000, 2 x £35,000 - £40,000.

15. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the period ended 31 August 2012 was £284.

The cost of this insurance is included in the total insurance cost.

16. OTHER FINANCE INCOME

	Period ended 31 August 2012 £
Expected return on pension scheme assets	41,000
Interest on pension scheme liabilities	(75,000)
	<hr/> (34,000) <hr/>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

17. TANGIBLE FIXED ASSETS

	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
COST					
At 7 June 2011	-	-	-	-	-
Additions	-	-	16,431	80,808	97,239
Transfer on conversion	10,203,443	19,500	91,361	360,250	10,674,554
	<u>10,203,443</u>	<u>19,500</u>	<u>107,792</u>	<u>441,058</u>	<u>10,771,793</u>
At 31 August 2012	<u>10,203,443</u>	<u>19,500</u>	<u>107,792</u>	<u>441,058</u>	<u>10,771,793</u>
DEPRECIATION					
At 7 June 2011	-	-	-	-	-
Charge for the period	203,824	5,688	25,151	171,522	406,185
	<u>203,824</u>	<u>5,688</u>	<u>25,151</u>	<u>171,522</u>	<u>406,185</u>
At 31 August 2012	<u>203,824</u>	<u>5,688</u>	<u>25,151</u>	<u>171,522</u>	<u>406,185</u>
NET BOOK VALUE					
At 31 August 2012	<u>9,999,619</u>	<u>13,812</u>	<u>82,641</u>	<u>269,536</u>	<u>10,365,608</u>

Included in land and buildings is Leasehold land at valuation of £1,468,132.

18. DEBTORS

	2012 £
Trade debtors	4,776
Other debtors	5,170
Prepayments and accrued income	6,427
	<u>16,373</u>

**19. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £
Trade creditors	15,027
Social security and other taxes	68,038
Pension scheme contributions	51,560
Accruals and deferred income	51,720
	<u>186,345</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

**19. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

	£
DEFERRED INCOME	
Resources deferred during the year	28,969

20. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
UNRESTRICTED FUNDS						
General funds	-	431,024	(269,761)	-	-	161,263
RESTRICTED GENERAL FUNDS						
General Annual Grant (GAG)	-	5,464,972	(5,232,668)	(97,239)	-	135,065
Special educational needs funding	-	239,047	(239,047)	-	-	-
Pupil premium	-	44,729	(44,729)	-	-	-
Start up grant	-	25,000	(25,000)	-	-	-
Other DfE/EFA grants	-	7,600	(7,600)	-	-	-
Other restricted funds	-	8,346	(8,346)	-	-	-
Pension reserve	-	(594,000)	(31,000)	-	(230,000)	(855,000)
	-	5,195,694	(5,588,390)	(97,239)	(230,000)	(719,935)
RESTRICTED FIXED ASSET FUNDS						
Capital expenditure from GAG	-	-	(35,259)	97,239	-	61,980
Fixed assets transferred on conversion	-	10,674,554	(370,926)	-	-	10,303,628
DfE/EFA Capital grants	-	22,846	-	-	-	22,846
Capital surplus transferred on conversion	-	34,009	-	-	-	34,009
	-	10,731,409	(406,185)	97,239	-	10,422,463
Total restricted funds	-	15,927,103	(5,994,575)	-	(230,000)	9,702,528
Total of funds	-	16,358,127	(6,264,336)	-	(230,000)	9,863,791

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

20. STATEMENT OF FUNDS (continued)

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

Restricted Funds

General Annual Grant - Income from the EFA which is to be used for the normal running costs of the Academy, including education and support costs.

Special Educational Needs - Funding received by the Local Authority to fund further support for students with additional needs.

Pupil Premium - Income from the EFA which is to be used to address the current inequalities by ensuring that funding to tackle disadvantage reaches the pupils who need it most.

Start up Grant - One off Grant from EFA which will be used to help towards the costs associated with running a larger school and to cover the economies of scale, as well as to cover start up costs.

Other DfE/EFA grants - Grant from EFA for PE teacher.

Pension reserve – This represents the academy's share of the assets and liabilities in the Local Government Pension Scheme. As with most pension schemes this is currently in deficit due to an excess of scheme liabilities over scheme assets which was inherited on conversion to an academy. The academy is following the recommendations of the actuary to reduce the deficit by making additional contributions over a number of years.

Restricted Fixed Asset Funds

Capital Expenditure from GAG - This represents funds transferred from the restricted GAG fund to purchase fixed assets.

Fixed Assets Transferred on Conversion – This represent the buildings and equipment donated to the school from the Local Authority on conversion to an academy.

DfE/EFA Capital Grants – These funds were received for direct expenditure on fixed asset projects. The balance at the year end represents the NBV of assets and any unspent grant amounts.

Capital Surplus Transferred on Conversion - This represents unspent capital grants donated to the school from the Local Authority on conversion to an academy.

SUMMARY OF FUNDS

	Brought Forward	Incoming resources	Resources Expended	Transfers in/out	Gains/ (Losses)	Carried Forward
	£	£	£	£	£	£
General funds	-	431,024	(269,761)	-	-	161,263
Restricted general funds	-	5,195,694	(5,588,390)	(97,239)	(230,000)	(719,935)
Restricted fixed asset funds	-	10,731,409	(406,185)	97,239	-	10,422,463
	-	16,358,127	(6,264,336)	-	(230,000)	9,863,791

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
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21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestrict'd funds 2012 £	Restricted general funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
Tangible fixed assets	-	-	10,365,608	10,365,608
Current assets	161,263	321,410	56,855	539,528
Creditors due within one year	-	(186,345)	-	(186,345)
Pension scheme liability	-	(855,000)	-	(855,000)
	<u>161,263</u>	<u>(719,935)</u>	<u>10,422,463</u>	<u>9,863,791</u>

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	Period ended 31 August 2012 £
Net incoming resources before revaluations	10,093,791
Returns on investments and servicing of finance	(2,714)
Net assets transferred on conversion	(10,186,889)
Depreciation of tangible fixed assets	406,185
Increase in debtors	(16,373)
Increase in creditors	186,345
FRS17 pension finance (income)/cost	34,000
FRS17 pension costs less contributions paid	(3,000)
NET CASH INFLOW FROM OPERATIONS	<u>511,345</u>

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Period ended 31 August 2012 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	2,714
	<u>2,714</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	
Purchase of tangible fixed assets	(97,239)
	<u>(97,239)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

24. ANALYSIS OF CHANGES IN NET DEBT

	7 June 2011	Cash flow	Other non-cash changes	31 August 2012
	£	£	£	£
Cash at bank and in hand:	-	523,155	-	523,155
NET FUNDS	-	523,155	-	523,155

25. CONVERSION TO AN ACADEMY TRUST

On 1 July 2011 Honiton Community College converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Honiton Community College Academy Trust from Devon County Council for £NIL consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of financial activities as voluntary income.

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.

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total funds
	£	£	£	£
Tangible fixed assets				
- Freehold/leasehold land and buildings	-	-	10,203,443	10,203,443
- Other tangible fixed assets	-	-	471,111	471,111
Budget surplus/(deficit) on LA funds	72,326	-	34,009	106,335
LGPS pension surplus/(deficit)	-	(594,000)	-	(594,000)
Net assets/(liabilities)	72,326	(594,000)	10,708,563	10,186,889

The above net assets include £106,335 that were transferred as cash.

26. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Devon County Council. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

Teachers' Pension Scheme

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26. PENSION COMMITMENTS (continued)

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as you go' basis, and employers' contributions are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ('GA'), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ('SCR') is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS17 and

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26. PENSION COMMITMENTS (continued)

has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £200,000, of which employer's contributions totalled £153,000. The agreed contribution rate for future years are 19.7% for employers and 5.5 - 7.5% for employees.

As described in note 25 the LGPS obligation relates to the employees of the academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join 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 at the balance sheet date.

The amounts recognised in the Balance sheet are as follows:

	Period ended 31 August 2012 £
Present value of funded obligations	(1,586,000)
Fair value of scheme assets	731,000
	<hr/>
Net liability	(855,000)
	<hr/> <hr/>

The amounts recognised in the Statement of financial activities are as follows:

	Period ended 31 August 2012 £
Current service cost	(150,000)
Interest on obligation	(75,000)
Expected return on scheme assets	41,000
	<hr/>
Total	(184,000)
	<hr/> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS
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26. PENSION COMMITMENTS (continued)

Movements in the present value of the defined benefit obligation were as follows:

	Period ended 31 August 2012 £
Current service cost	150,000
Interest cost	75,000
Contributions by scheme participants	47,000
Actuarial Losses	241,000
Benefits paid	13,000
Liability transferred on conversion	1,060,000
	<hr/>
Closing defined benefit obligation	1,586,000
	<hr/> <hr/>

Movements in the fair value of the academy's share of scheme assets:

	Period ended 31 August 2012 £
Expected return on assets	41,000
Actuarial gains and (losses)	11,000
Contributions by employer	153,000
Contributions by employees	47,000
Benefits paid	13,000
Asset transferred on conversion	466,000
	<hr/>
	731,000
	<hr/> <hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £858,000 loss.

The academy expects to contribute £123,000 to its Defined benefit pension scheme in 2013.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012
Equities	74.00 %
Property	6.00 %
Cash	5.00 %
Target return portfolio	15.00 %

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2012
Discount rate for scheme liabilities	3.90 %
Expected return on scheme assets at 31 August	5.20 %
Rate of increase in salaries	4.10 %
Rate of increase for pensions in payment / inflation	1.90 %

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

26. PENSION COMMITMENTS (continued)

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

	2012
Retiring today	
Males	20.5
Females	24.5
Retiring in 20 years	
Males	22.5
Females	26.4

Amounts for the current period are as follows:

Defined benefit pension schemes

	2012
	£
Defined benefit obligation	(1,586,000)
Scheme assets	731,000
Deficit	(855,000)
Experience adjustments on scheme liabilities	(241,000)
Experience adjustments on scheme assets	11,000

27. OPERATING LEASE COMMITMENTS

At 31 August 2012 the academy had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	Other
	2012	2012
	£	£
EXPIRY DATE:		
Between 2 and 5 years	-	16,116