

Company Registration No. 08265245 (England and Wales)

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2018**

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ISLAND COMMUNITY SCHOOL

THE ISLAND FREE SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Members

Ian Jenkins
Lisa Cresswell
Claire Seaward
Warren Riches

Governors

Mr W A Riches
Mr S Boyd (Accounting Officer and Head Teacher)
Ms L Outhwaite (Resigned 5 January 2018)
Mr G J Peace
Ms R Walford
Mr S Smith (Chair of Governors)
Ms S Wright (Resigned 30 March 2018)
Mr M Davies (Staff Governor) (Appointed 5 January 2018)

Senior management team

- Head teacher and accounting officer	Mr S Boyd
- Teacher/ Head of Department	Mr R Peace
- Teacher/ Head of Department	Ms D Steele
- Teacher/ Head of Department	Mr M Williams

Company secretary

Ms L Cresswell

Company registration number

08265245 (England and Wales)

Registered office

The Island Free School
Newport Road
Ventnor
Isle of Wight
PO38 1BG

Independent auditor

Moore Stephens (South) LLP
9 St Johns Place
Newport
Isle of Wight
PO30 1LH

Bankers

Barclays Bank Plc
Solent Corporate Scheme
PO Box 60
Newport
Isle of Wight
PO30 1XE

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

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

The school continues to grow in every sense and the achievements were underlined this year following a "good with outstanding features" rating by Ofsted, and further excellent externally adjudicated academic results produced by the first year group.

The trust operates an academy for pupils aged 11 to 16 serving a catchment area of the Isle of Wight. There were 500 students on the roll on the Spring 2018 census.

Structure, governance and management

Constitution

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

The charitable company is known as The Island Free School.

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

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £1, for the debts and liabilities contracted before they ceased to be a member.

Governors' indemnities

Subject to the provisions of the Companies Act 2006 Governors shall be indemnified out of the assets of the Island Community School against any liability incurred by him or her in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in his or her favour or in which he or she is acquitted or in connection with any application in which relief is granted to him or her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Island Community School. For this purpose Island Community School has insurance in place covering Governor's liability, with a limit of indemnity of £10,000,000.

Method of recruitment and appointment or election of governors

The members and directors of the Island Free School advertises for governors through local media sources and via the school website.

Each prospective governor is sent a school prospectus and a copy of the governance policy as well as a copy of this document. Prospective governors will be asked to produce a pen portrait of themselves which includes skills they possess which they feel would be relevant one or more of the committees.

Prospective governors will then be invited to attend an informal evening where they can meet members of the proposer group, company members and directors.

Following on from this evening each prospective governor will be invited to attend one committee meeting linked to their relevant skills. Prospective governors will not be eligible to vote at this meeting and may be asked to step out if there any sensitive matters to be discussed.

At this point the relevant body will take a vote on the appointment. This includes Staff and Parent Governors.

ISLAND COMMUNITY SCHOOL

THE ISLAND FREE SCHOOL

GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Policies and procedures adopted for the induction and training of governors

Governors are provided with an induction process and relevant training to their roles. Continued Professional Development is conducted during the year at meetings. Governors are members of various sub committees based on their relevant skills.

Organisational structure

The School has a management structure of the Board of Governors and a Senior Management Team led by the Head Teacher.

The Board of Governors is responsible for appointing the Head Teacher, making major strategic decisions, setting general policy and adopting the annual budget.

The Head Teacher is the Accounting Officer and is responsible for the day to day management of the school.

School policies are developed by senior members of the school's staff to reflect both the strategic directions agreed by the Governors and also the statutory requirements. These policies are approved and adopted by the Board of Governors and implemented as procedures and systems by the Senior Management Team.

Arrangements for setting pay and remuneration of key management personnel

The arrangements for setting the pay and remuneration for all staff including all those with key management responsibilities lies with the governing body Leadership, Management and Finance committee and are set out in the schools pay policy. In November each year this committee meets and the Headteacher outlines the staffing needs for the coming year. Salaries for roles are agreed using the Teachers Pay and Conditions Document as a benchmark. All salaries including those of senior leaders are reviewed every two years as part of the school's performance management process. At the end of each academic year the Headteacher meets with the Finance and Staffing Committee to discuss each senior colleague who is to be considered for salary increase.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period -

Full-time equivalent employee number -

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1%-50%	-
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	-
Total pay bill	-
Percentage of the total pay bill spent on facility time	-

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	-
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**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Related parties and other connected charities and organisations

There are no connected organisations and where there are transactions with related parties, these are disclosed in notes to these accounts.

Objectives and activities

Objects and aims

The aim is to establish a Free School on the Isle of Wight with a music specific specialism, operating according to the vision and ethos set out by the members, to improve educational standards on the Isle of Wight.

Our Ethos

At the Island Free School it is our aspiration to share the greatest thoughts and achievements of humankind. We will inspire our students by standing on the shoulders of giants and encourage them at every opportunity to take in the view of all that humanity has achieved. Whilst not every student can become great when measured against the achievements of others it is our aspiration that each student be their best when measured against themselves.

Upon entering the Island Free School visitors will be struck by the overwhelmingly supportive nature of the school. Guests will be met by students and staff who are obviously proud of their school and its principles. All lessons that are seen will be delivered by outstanding professionals who are sharing their love of learning with their students. As one moves around the calm and focused classrooms the strong bond between staff and students will be abundantly clear both in the attitude of respect and the collaboration in learning. Where-ever one looks there will be recognition of the achievements and the aspirations of our students and our staff.

Of greatest note will be the obvious happiness of our students and our staff, their enthusiasm to succeed and their aspiration to achieve together. This will meet the cornerstone of our beliefs - A happy child wants to learn.

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Our Vision

V1. A caring school that is small enough for every student to be known by a member of staff.

The Island Free School will be a human scale school where all students will receive the academic and emotional support they deserve in order to achieve their full potential. We will offer an accelerated KS3 programme of study which will allow us to offer up to three years for students to complete a GCSE programme of study which will include the English Baccalaureate for all students.

V2. A disciplined school where students will be offered a grammar school style education in a truly comprehensive setting.

The Island Free School will offer a curriculum built around the core subjects to develop all our students toward the English Baccalaureate. All students will be offered a further 2 options subjects and more able students will be able to study further GCSEs as part of our enrichment programme. We will combine this with a specialism in music designed to broaden experience and develop fully rounded students. All students will study music for 2 hours in KS3 and GCSE music will be offered as an option in KS4. All students will be expected to play at least one musical instrument.

V3. An aspirational school where student progress is paramount.

The Island Free School will have the highest expectations of all staff and all students. A rigorous and robust system for monitoring and tracking will underpin our efforts to ensure that all of our students are making good to outstanding progress in all areas. Staff will be supported in developing outstanding lessons through our coaching observation programme.

V4. An innovative school with a longer day that includes a full and varied extra-curricular programme for all staff and all students.

Our school will include a mandatory extra-curricular hour which will offer a wide range of enrichment activities and academic intervention for all students supported by all staff (teaching and non-teaching), by parents and by members of the wider community.

V5. An enthusiastic school in which all teachers are passionate about learning and have a proven track record.

The Island Free School will recognise that its staff are its most valuable asset and will ensure that all feel valued and supported in a school that is a source of personal pride to everyone. We will develop an outstanding recruitment and retention package to ensure consistency throughout the school.

V6. An ambitious school where students are encouraged to think for themselves.

At the Island Free School all students will be encouraged to be independent, self-motivated, resilient and inquisitive. We will not pay lip service to these ideals but will embed them in our every action. Our students will be encouraged and supported in all endeavours. All members of our community will play a part in developing their sense of self belief. We will explore every opportunity to give students responsibility within the school and develop a sense of personal responsibility for the local community. All students will engage in the Duke of Edinburgh award scheme during KS4 and will build toward this through curricular, cross curricular and enrichment hour activities.

V7. An Island school for Island families that gives parents a real educational choice for their children.

The Island Free School will offer an educational model which is open to all and offers a more attractive choice to parents' in the state sector. We will have an active parents association who will be fundamental to the running of the school. We will actively promote parent governor posts and will also support parents in becoming active learners with in the school.

Objectives, strategies and activities

The trust's objectives are set out in its Articles of Association. This is to establish, maintain, manage and develop an academy trust offering a broad and balanced curriculum, for the benefit of public education in the United Kingdom.

In accordance with the Articles of Association, the trust has adopted a Funding Agreement approved by the Secretary of State for Education. The Funding Agreement specifies, amongst other things, the basis for admitting pupils to the academy trust.

**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)
*FOR THE YEAR ENDED 31 AUGUST 2018***

Significant activities

The School believes in the following principles, referred to as ACE;

Achievement – Realised through recognising the individual needs of every learner.

Community – Embracing and utilising the local community for the benefit of all learners and building partnerships to support teaching and learning.

Enjoyment – A commitment to innovative practice and the utilisation of technology to develop enthusiasm for learning.

These underpin the school's progress towards its Key Performance Indicators (KPI's)

Public benefit

The Governors have complied with their duty to have due regard to the guidance on Public Benefit published by the Charity Commission in exercising their powers and duties.

The Island Free School was born from the local community, and maintains strong links within and beyond that community thanks to innovative curricular and extra-curricular initiatives and activities. Our utmost priority in terms of public benefit is to provide a high quality education for our pupils.

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

Strategic report

Achievements and performance

The school received a good with outstanding features grade from Ofsted in its first full inspection held in 2017.

The School is currently oversubscribed in all year groups, and we have received 300 applications for 125 available places for September 2018.

The School was opened in response to significant academic underperformance within the Local Authority that has seen the Island at the bottom of GCSE league tables for several years, and well behind national averages for several decades. Analysis of local data, coupled with personal experience of teachers in the proposer group, has highlighted the following areas as significantly below national averages. These have formed key targets for our school:

1. Serious underperformance in English, which has had widespread impact across all subjects.
2. Significant underperformance for FSM and PP pupils whose performance is well below national averages.
3. Poor attendance at secondary level with high levels of Persistent Absenteeism.
4. Low levels of extra-curricular engagement exacerbated by travel restrictions especially for the more vulnerable pupils.
5. Large anonymous student bodies in which individual needs are not being met with poor parental engagement.
6. Low staff morale.

In developing the vision statement of The Island Free School we have targeted these specific areas and formed Key performance targets to judge the effectiveness of provision against these.

Surveys

As a school we are keen to gather the thoughts of all stakeholders in our school. Parents are asked to complete a well-being survey each term as part of their parent mentor meetings.

Results from the surveys indicate that parents, pupils and staff are extremely happy with the school and that, whilst there are minor areas for improvement, the overall view of stake holders is extremely positive with;

99.0% of parents agreeing they would recommend the school to other families (363/367 responses)

92.1% of pupils agreeing they would recommend the school to another child ((432/469 responses)

100% of staff agreeing that they are happy in their job. (63/63 responses)

Cohort and subject analysis

Across all subjects, average progress is currently in-line with our aspirational targets. Progress in all subjects is well above national expectations.

Gender gap

There is no significant gender gap. Attainment of boys and girls differ by a sub-level at most.

SEN, FSM and Pupil Premium

SEN, FSM and Pupil Premium pupils are making progress that is broadly in line with main cohort, differing by up to a point at most. In many cases, including English progress is better than Non PP, SEN and FSM peers.

Ability

High, mid and low attainers (based on average KS2) perform similarly well in most subjects.

Teachers and CPD

In school CPD has been reactive to the needs of staff as opposed to a pre-set programme, responding to the outcome of observations and performance management. Mainly due to the seniority and experience of staff recruited. Moving forward a more rigorous CPD programme will be in place.

Attendance

Our attendance target for the year was 95% with an aspirational target of 96%.

The school achieved an overall attendance of 94.9%.

**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Going concern

After making appropriate enquiries, the Governing Body has reasonable expectation that the trust 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.

Financial review

During the year ended 31 August 2018, The Island Community School has received restricted income of £3,179,020 comprising:

- Start Up Grant
- General Annual Grant (GAG)
- Pupil Premium Funding
- Capital Grants towards the purchase of GCSE block and Permanent build in Upper Ventnor, as well as the related fit out costs for the temporary site.
- Donations
- Local Authority Grants

Further monies generated by The Island Free School was an income of unrestricted funds £318,761.

- Hire of Facilities
- Catering Income
- Parental Contributions
- Other Income

This money generated was used towards part payment for catering and buses, as well as running costs of Rew Valley Sports Centre.

Reserves policy

The Island Free School aims to focus annual income towards current teaching and learning, whilst keeping a reserve to ensure the smooth transition from year to year and to meet any additional curriculum needs.

The school was opened under a Standards Agenda, which meant that the standard of teaching would need to be excellent. Therefore the decision was made to appoint Heads of Department to enable subject area to be developed and ready for each subsequent year group. These Heads of Department are experienced teachers, making salaries a higher proportion of the GAG income.

On a commercial level, the school would aspire to a level of reserves equal to three months operating costs, which would amount to some £500,000 of reserves, which we believe would be sufficient to enable the school to absorb an unexpected event. Current reserves are well short of this level, but which reflects the certainty of income provided by our funding agreement. The school is also currently oversubscribed for available places, which we believe allows the school to absorb any unexpected shock.

The school remains a new organisation which is slowly building reserves. The current level of reserves (total funds less the amount held in the fixed assets and restricted pension funds) is £152,197 (2017 - £89,817 in restricted general funds).

The current level of restricted fixed asset fund is £13,771,341 (2017 - £13,806,796). This fund has grown with the new build and can only be realised by disposing of tangible fixed assets.

The current level of the pension reserve is in deficit by £104,000 (2017 - deficit of £114,000). This fund is in respect of the Local Government Pension Scheme and non-teaching staff, and is largely outside of the control of the governors.

**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Funds in deficit

The Local Government Pension Scheme, for some non-teaching staff, is in deficit to the sum of £104,000, (2017 - £114,000) which is consistent with other academies. This is due to liabilities exceeding performance of assets due to high mortality rates and a reduction in returns. The deficit is outside the control of the school, in the event of the closure of the school this is underwritten by central government.

Investment policy

The Island Free School by nature of the fact that it holds cash balances, has responsibilities and powers to make investment decisions. The aim of the investment policy is to ensure that funds, which the school does not immediately need to cover anticipated expenditure, are invested in such a way as to maximise the schools income but without risk.

Principal risks and uncertainties

The Governors monitor a risk register having conducted risk assessments appropriate to the significant changes the school would make as the school moved from pre-opening to a fully functioning school.

The Head Teacher keeps a list of risks and keeps the governors updated should any issues arise. These are then dealt with on a case to case basis.

The principal risks for the Academy as they stand on 31 August 2018 are;

- There are significant concerns regarding the performance of the LGPS which is predicted to continue to underperform this year.

Fundraising

The School / pupils raise money for local or national charities, the pupils vote for the charities they wish to support in an academic year, which is supported by Senior Leadership. Publicity for fund raising events is measured and is restricted to students at the school, their family members.

For trips that occur during the school day, parents are requested to make a voluntary donation towards the costs of the trip. Parents are made aware that there is no obligation to contribute and no student will be omitted from the trip if their parents do not contribute, but the trip may not take place if sufficient voluntary contributions are not forthcoming.

The Trust does not work with any third party commercial participators or professional fundraisers to raise funds. There have been no fundraising complaints during 2017/18.

Fund raising projects for the school are managed through the school and other communications with parents. Voluntary donations towards trips are requested through letters to parents ensuring they are not made to feel pressurised into paying as it is voluntary and not compulsory. Reminder letters are not issued for any donation requests.

Plans for future periods

The school currently has 500 pupils (increasing to 625 in Sept 2018). Excellent progress has been made in all academic and pastoral areas with positive feedback from pupil and parent surveys and school inspector visits. Work will continue to monitor this as the school grows its teaching staff and pupils.

The Rew Valley Sports complex is now managed by the school which lets these facilities out for community use. More development of this site is anticipated in later years.

The Governors are committed to ensuring that the new build provides a site suitable for the school into the future.

**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Auditor

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.

A resolution proposing that Moore Stephens (South) LLP be reappointed as auditor of the charitable company will be put to the members.

The governors' report, incorporating a strategic report, was approved by order of the board of governors, as the company directors, on ~~6 December 2018~~ 6 December 2018 and signed on its behalf by:


.....
Mr S Smith
Chair of Governors

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

Scope of responsibility

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

The board of governors has delegated the day-to-day responsibility to the head teacher, 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 Island Community School and the Secretary of State for Education. They are also responsible for reporting to the board of governors 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 Statement of Governors' Responsibilities. The board of governors has formally met 3 times during the year. Attendance during the year at meeting of the Governing Body and sub committees was as follows:

Governors	Meetings attended	Out of possible
Mr W A Riches	4	4
Mr S Boyd (Accounting Officer and Head Teacher)	11	11
Ms L Outhwaite (Resigned 5 January 2018)	3	4
Mr G J Peace	7	11
Ms R Walford	5	6
Mr S Smith (Chair of Governors)	10	11
Ms S Wright (Resigned 30 March 2018)	4	7
Mr M Davies (Staff Governor) (Appointed 5 January 2018)	6	8

A new Chair of Governors was elected in December 2018 and, a Clerk also appointed in December; a new parent Governor has also been elected to commence in September 2018. Governors have met on a monthly basis, reviewed and questioned data provided by senior Leaders. That data is detailed, specific and provides an excellent overview of progress in each area, whilst highlighting any concerns. The small team of Governors have worked effectively and been comfortable challenging the Headmaster and Leaders as necessary. There is an up to date Governance Policy, and also one for recruitment of new Governors. A review of skills and of performance is scheduled for Autumn 2018, to include newly elected Governors.

**ISLAND COMMUNITY SCHOOL
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GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Review of value for money

As accounting officer the head teacher of The Island Free School has responsible and accountable for ensuring that the academy trust delivers good value in the use of public resources. He understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The head teacher considers how the School's use of its resources has provided good value for money during each academic year and reports to the Governors where value for money can be improved, including the use of benchmarking data where available.

The Governors of The Island Free School are committed to achieving Best Value in all the decision we make. We take account of the principles of Best Value in seeking to secure continuous improvement in the Academy and will:

- regularly review the functions of the academy, challenging how and why services are provided and setting targets and performance indicators for improvement
- monitor outcomes and compare performance especially in regard to the performance of Pupil premium pupils
- consult appropriate stakeholders before major decisions are made
- promote fair competition through quotations and tenders to ensure that goods and services are secured in the most economic, efficient and effective way though it should be noted that in ensuring best value we must take into account the fact that we are based on an island and therefore we have to factor in delivery costs that are often much higher than those on the mainland.

We seek to ensure that the academy is using its resources effectively to meet the needs of pupils.

We will submit our Best Value statement with the annual budget plan.

The budget plan and the Best Value statement will be monitored with the school improvement plan in order to assess progress.

We will seek to achieve Best Value by focusing on the following activities this year:

The planning, delivery and monitoring of the curriculum by ensuring for example:

- Evaluating changes to the KS4 curriculum to ensure outstanding provision and value for money
- Meeting or exceeding challenging pupil progress targets across the school through the effective use of Pupil premium funding.
- Robust self-evaluation, reported in the Self Evaluation Form (SEF), with a particular focus on the quality of teaching and learning and on pupil progress.

The care, guidance and support of pupils by, for example:

- Reviewing and modifying the school's Personal, Social and Health education programme.
- Ensuring that all children are valued as individuals and that safeguarding procedures are fully in place.
- Ensuring relevant health and safety and inclusion policies are in place
- Tracking pupil progress and target setting using the school, LA and national data
- Further developing the role of pupil leadership to provide leadership opportunities for young people.

**ISLAND COMMUNITY SCHOOL
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GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Staffing by, for example:

- Reviewing TLR and other payments to ensure they are fit for purpose
- Reviewing Appraisal arrangements to ensure that targets are rigorous and that our performance related pay policy ensures the high quality of teaching in the school is maintained.
- Reducing bureaucracy where possible.
- Maintaining an annual refurbishment programme as detailed by the Business Manager.
- Ensuring building programmes progress efficiently and with no detrimental impact on learning

Resources by, for example:

- Allocating resources as identified in School Business Plan addressing the priorities identified in the School Improvement Plan
- Obtaining competitive quotations for goods and services again bearing in mind our island location

Academy leadership and management by, for example:

- Putting in place an induction programme for all new teaching staff and ensuring all staff are fully supported in delivering their roles and thereby reducing recruitment costs
- Encouraging applications for appropriate leadership courses from suitable staff.
- Further developing academy-based continuing professional development
- Using Trust status to provide professional development opportunities for leaders.

Financial management by, for example:

- Providing professional development for all leadership roles
- Maintaining a careful oversight on expenditure at regular meetings between the Headmaster and Finance officer
- Maximising income from lettings.

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNANCE STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

Financial governance and oversight of the school

The Academy Trust has established a Full Governing Body (FGB) and four subcommittees, one of which is the Leadership & finance (L&F) committee. This latter subcommittee assure school income and expenditure, and especially that spend represents value for money.

The L&F subcommittee are responsible for financial governance and have met once each term in the academic year. They have ensured that a sound system of financial control is in place, with clear levels of delegated financial authority designated. The chair of this subcommittee made two further governor visits to review the financial position of the school, and the operation of its procedures during the first term and was supported by the vice chair of the L&F committee.

The L&F subcommittee have monitored the financial position of the school and challenged the senior leadership team where appropriate.

The L&F subcommittee also reviewed and approved the annual budget for 2018/19 in July, checking that that budget allowed for any growth in school roll whilst ensuring the school can live within its means.

The school benchmarks its spending using tools available online as well as against other schools through annual reports, local network meetings, and other documents available in the public domain.

Being a new school, economies of scale are an area which in time will develop. Natural growth will help, but it is key for the school to establish strong working relationships with other providers.

Maximising income generation at the school

The school has very limited outdoor space, which usually provides an opportunity to generate income. The school must therefore focus on generating income from the sports facilities at Rew Valley Sports Centre.

We have taken responsibility for these sports facilities that will make up part of our permanent site and have maximised the public use of these in the evenings aiming that these facilities should cover running costs thereof and generate sufficient funds to invest into the centre.

Reviewing controls and managing risks at the school

Throughout the academic year, financial controls have been reviewed to ensure they are best practice. The Governing Body has overseen a number of policies including the control and risk aspect of the school, particularly around the financial risks to the school. The school's risk management framework and governance structure provides a mechanism for proactively identifying and addressing the key risks to the achievement of the school's strategic objectives. It delivers comprehensive monitoring, control and ongoing management of the major risks to which the school is exposed, so as to ensure the security of school (and, therefore, taxpayer) funds. The school recognizes that its ability to properly identify, measure, monitor and report risk is critical to its sustainable financial security and its ability to provide value and fair outcomes to its pupils.

The Chair of Governors and Chair of the Leadership and Finance Committee have met with those responsible for the school finances to discuss budgets and scrutinise these along with the financial controls in place at the school. All have been refined throughout the year based on spending patterns, experiences and best practice in other schools.

Further refinement of policies and procedures to best suit the growing school have been implemented and continue to improve annually.

The purpose of the system of internal control

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Capacity to handle risk

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

The risk and control framework

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

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of governors;
- Regular reviews by the staff, finance and site committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- Setting targets to measure financial and other performance;
- Clearly defined purchasing (asset purchase or capital investment) guidelines;
- Delegation of authority and segregation of duties;
- Identification and management of risks.

Internal audit

The Board of Governors have reviewed the question of a dedicated internal audit function following Loretta Outhwaite's departure and concluded that they will continue with the engagement of a recently retired Bursar on a part time basis to strengthen financial control and to undertake elements of an internal audit function. This includes comprehensive monthly Management account reports to all Governors and the checking of reconciliations of bank and other major control accounts

Review of effectiveness

As accounting officer the head teacher 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 and auditor;
- The work of an external auditor
- The financial management and governance self-assessment process;
- The work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implication of the result of their review of the system of internal control by the Finance and Resources Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Approved by order of the board of governors on 6 December 2018 and signed on its behalf by:



Mr S Boyd
Accounting Officer and Head Teacher



Mr S Smith
Chair of Governors

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2018**

As accounting officer of Island Community School I have considered my responsibility to notify the academy trust board of governors 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 trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. We have posted an increased surplus this year though this does not take account of the increasingly poor performance of the Local Government Pension Scheme. This provision is reflected in the accounts.

If any instances are identified after the date of this statement, these will be notified to the board of governors and EFA.



Mr S Boyd
Accounting Officer

6 December 2018

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018**

The governors (who act as trustees for Island Community School and are also the directors of Island Community School for the purposes of company law) are responsible for preparing the governors' report and the accounts in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

In preparing these accounts, the governors are required to:

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

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 accounts 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 that grants received from ESFA/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 accounts may differ from legislation in other jurisdictions.

Approved by order of the members of the board of governors on 6 December 2018 and signed on its behalf by:


Mr S Smith
Chair of Governors

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND COMMUNITY SCHOOL

Opinion

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

In our opinion the accounts:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND COMMUNITY SCHOOL (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.

Responsibilities of governors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND COMMUNITY
SCHOOL (CONTINUED)**



**Esme Shakeshaft (Senior Statutory Auditor)
for and on behalf of Moore Stephens (South) LLP**

**Chartered Accountants
Statutory Auditor**

7th Dec 2018

9 St Johns Place
Newport
Isle of Wight
PO30 1LH

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
REGULARITY TO ISLAND COMMUNITY SCHOOL AND THE EDUCATION & SKILLS
FUNDING AGENCY
FOR THE YEAR ENDED 31 AUGUST 2018**

In accordance with the terms of our engagement letter dated 5 October 2016 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Island Community School during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Island Community School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Island Community School's funding agreement with the Secretary of State for Education dated July 2014 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Consideration of the Accounting Officer's statement of Regularity, Propriety and Compliance;
- Analytical procedures on the general activities of the Academy Trust;
- A Review of Minutes of Committee and Board meetings, which may be relevant;
- Considerations of discussions with key personnel, including Governors;
- Substantive testing of individual transactions

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
REGULARITY TO ISLAND COMMUNITY SCHOOL AND THE EDUCATION & SKILLS
FUNDING AGENCY (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Conclusion

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

Moore Stephens South LLP

Reporting Accountant

Moore Stephens (South) LLP
9 St Johns Place
Newport
Isle of Wight
PO30 1LH

Dated: *7th Dec 2018*

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Notes	Unrestricted Funds £	Restricted funds: General Fixed asset £		Total 2018 £	Total 2017 £
Income and endowments from:						
Donations and capital grants	2	-	-	428,644	428,644	7,457,846
Charitable activities:						
- Funding for educational operations	3	-	2,750,376	-	2,750,376	2,091,384
Other trading activities	4	318,761	-	-	318,761	223,756
Total		318,761	2,750,376	428,644	3,497,781	9,772,986
Expenditure on:						
Raising funds	5	-	117	-	117	226
Charitable activities:						
- Educational operations	6	318,761	2,713,845	511,133	3,543,739	2,492,134
Total	5	318,761	2,713,962	511,133	3,543,856	2,492,360
Net income/(expenditure)		-	36,414	(82,489)	(46,075)	7,280,626
Transfers between funds	13	-	(47,034)	47,034	-	-
Other recognised gains/(losses)						
Actuarial gains on defined benefit pension schemes	14	-	83,000	-	83,000	20,000
Net movement in funds		-	72,380	(35,455)	36,925	7,300,626
Reconciliation of funds						
Total funds brought forward		-	(24,183)	13,806,796	13,782,613	6,481,987
Total funds carried forward		-	48,197	13,771,341	13,819,538	13,782,613

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

Comparative year information		Unrestricted	Restricted funds:		Total
Year ended 31 August 2017		Funds	General	Fixed asset	2017
	Notes	£	£	£	£
Income and endowments from:					
Donations and capital grants	2	-	-	7,457,846	7,457,846
Charitable activities:					
- Funding for educational operations	3	-	2,091,384	-	2,091,384
Other trading activities	4	223,756	-	-	223,756
Total		223,756	2,091,384	7,457,846	9,772,986
Expenditure on:					
Raising funds	5	-	226	-	226
Charitable activities:					
- Educational operations	6	223,756	2,099,479	168,899	2,492,134
Total	5	223,756	2,099,705	168,899	2,492,360
Net income/(expenditure)		-	(8,321)	7,288,947	7,280,626
Transfers between funds	13	-	(21,695)	21,695	-
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension schemes	14	-	20,000	-	20,000
Net movement in funds		-	(10,016)	7,310,642	7,300,626
Reconciliation of funds					
Total funds brought forward		-	(14,167)	6,496,154	6,481,987
Total funds carried forward		-	(24,183)	13,806,796	13,782,613

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
BALANCE SHEET
AS AT 31 AUGUST 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10		13,771,341		13,806,796
Current assets					
Debtors	11	204,770		1,108,528	
Cash at bank and in hand		135,907		184,057	
		340,677		1,292,585	
Current liabilities					
Creditors: amounts falling due within one year	12	(188,480)		(1,202,768)	
Net current assets			152,197		89,817
Net assets excluding pension liability			13,923,538		13,896,613
Defined benefit pension scheme liability	14		(104,000)		(114,000)
Net assets			13,819,538		13,782,613
Funds of the academy trust:					
Restricted funds	13				
- Fixed asset funds			13,771,341		13,806,796
- Restricted income funds			152,197		89,817
- Pension reserve			(104,000)		(114,000)
Total restricted funds			13,819,538		13,782,613
Unrestricted income funds	13		-		-
Total funds			13,819,538		13,782,613

The accounts on pages 24 to 44 were approved by the governors and authorised for issue on 6 December 2018 and are signed on their behalf by:

Mr S Smith
Chair of Governors

Company Number 08265245

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018**

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Net cash used in operating activities	16		(1,116)		(724,939)
Cash flows from investing activities					
Capital grants from DfE Group		428,644		7,457,846	
Purchase of tangible fixed assets		(475,678)		(7,499,541)	
Proceeds from sale of tangible fixed assets		-		20,000	
Net cash used in investing activities			(47,034)		(21,695)
Net decrease in cash and cash equivalents in the reporting period			(48,150)		(746,634)
Cash and cash equivalents at beginning of the year			184,057		930,691
Cash and cash equivalents at end of the year			135,907		184,057

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1 Accounting policies

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

1.1 Basis of preparation

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

Island Community School meets the definition of a public benefit entity under FRS 102.

1.2 Going concern

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

1.3 Income

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

Grants receivable

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

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

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

The trust is benefiting from the ESFA's Free School for the construction of the Island Community School. The funding for the programme is not recognised as a capital grant until there is unconditional entitlement from costs being incurred, and the development occurring on a site where the trust controls through ownership the site where the development is occurring. The expenditure is capitalised in assets under construction until the project is complete.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

1 Accounting policies

(Continued)

Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

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

Other income

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

Donated goods, facilities and services

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

1.4 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

Assets for long term use are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Assets in excess of £500 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 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 trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset over their expected useful life. Depreciation is charged on the temporary building in place during the new build.

In this period no depreciation is provided on the new construction as construction on this asset has not completed. The rest of assets are written down on a straight line method over its expected useful life, the expected useful life of each class asset is noted below.

Land and buildings	50 years
Assets under the course of construction	20 years
Computer equipment	5 years
Fixtures, fittings & equipment	10 years

The building of the new school is classified as an asset in the course of construction.

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

1.6 Liabilities

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

1.7 Leasing and hire purchase commitments

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

1.8 Taxation

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

1 Accounting policies

(Continued)

1.9 Pensions benefits

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

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

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

1.10 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

1.11 Financial instruments

The only financial instruments held by the school are debtors and creditors. These are categorised as "basic" in accordance with Section 11 of FRS 102 and are initially recorded at transaction price. These are subsequently measured at their transaction price less any impairment.

1.12 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

1 Accounting policies

(Continued)

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 14, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

There is no critical errors of judgement.

2 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Capital grants	-	428,644	428,644	7,457,846

3 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
DfE / ESFA grants				
General annual grant (GAG)	-	2,473,735	2,473,735	1,838,042
Start up grants	-	93,500	93,500	125,000
Other DfE group grants	-	125,585	125,585	98,856
	-	2,692,820	2,692,820	2,061,898
Other government grants				
Local authority grants	-	57,556	57,556	29,486
Total funding	-	2,750,376	2,750,376	2,091,384

4 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Hire of facilities	8,735	-	8,735	12,261
Catering income	106,335	-	106,335	71,480
Trips and visit income	200,219	-	200,219	130,949
Other income	3,472	-	3,472	9,066
	318,761	-	318,761	223,756

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

5 Expenditure

	Staff costs £	Premises & equipment £	Other costs £	Total 2018 £	Total 2017 £
Academy's educational operations					
- Direct costs	1,458,973	511,133	398,748	2,368,854	1,625,756
- Allocated support costs	673,879	7,452	493,554	1,174,885	866,378
	<u>2,132,852</u>	<u>518,585</u>	<u>892,302</u>	<u>3,543,739</u>	<u>2,492,134</u>
Other expenditure					
Raising funds	-	-	117	117	226
	<u>-</u>	<u>-</u>	<u>117</u>	<u>117</u>	<u>226</u>
Total expenditure	<u>2,132,852</u>	<u>518,585</u>	<u>892,419</u>	<u>3,543,856</u>	<u>2,492,360</u>

Net income/(expenditure) for the year includes:

	2018 £	2017 £
Fees payable to auditor for:		
- Audit	10,850	9,500
- Other services	3,000	5,000
Operating lease rentals	6,467	43,989
Depreciation of tangible fixed assets	511,133	99,307
Gain/(loss) on disposal of fixed assets	-	69,592
	<u>-</u>	<u>69,592</u>

6 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Direct costs - educational operations	161,878	2,206,976	2,368,854	1,625,756
Support costs - educational operations	156,883	1,018,002	1,174,885	866,378
	<u>318,761</u>	<u>3,224,978</u>	<u>3,543,739</u>	<u>2,492,134</u>

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

6 Charitable activities

(Continued)

Analysis of costs	2018	2017
	£	£
Direct costs		
Teaching and educational support staff costs	1,437,608	1,187,115
Staff development	21,365	14,921
Depreciation	511,133	168,899
Educational supplies and services	215,180	109,992
Other direct costs	183,568	144,829
	<u>2,368,854</u>	<u>1,625,756</u>
Support costs		
Support staff costs	670,879	483,157
Recruitment and support	12,443	6,509
Maintenance of premises and equipment	7,452	21,730
Cleaning	45,059	19,110
Energy costs	101,799	54,044
Rent, rates and other occupancy costs	52,141	47,379
Insurance	20,914	13,139
Security and transport	39,929	32,327
Catering	143,020	125,644
Finance costs	3,000	3,000
Other support costs	51,592	29,562
Governance costs	26,657	30,777
	<u>1,174,885</u>	<u>866,378</u>

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

7 Staff

Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	1,633,089	1,267,571
Social security costs	144,263	117,116
Pension costs	349,331	271,045
Staff costs	2,126,683	1,655,732
Staff restructuring costs	-	12,078
Staff development and other staff costs	3,169	17,383
Total staff expenditure	2,129,852	1,685,193

Staff restructuring costs comprise:

Redundancy payments	-	12,078
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Staff numbers

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

	2018 Number	2017 Number
Teachers	35	24
Administration and support	29	20
Management	4	4
	68	48

Higher paid staff

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

	2018 Number	2017 Number
£60,001 - £70,000	-	1
£70,001 - £80,000	1	-

Key management personnel

The key management personnel of the academy trust comprise the governors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £273,189 [2017, £259,913].

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

8 Governors' remuneration and expenses

The headteacher and other staff governors only receive remuneration in respect of services they provide undertaking the roles of headteacher and staff, and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the academy trust in respect of their role as governors.

During the year, travel and subsistence payments totalling £nil were reimbursed to trustees (2017: £nil).

The value of Governor's remuneration was as follows:-

Mr S Boyd - Head teacher and Accounting officer - Salary £70,001 - £75,000 (2017 - £65,001 - £70,000);, Employers Pension £10,001 - £15,000 (2017 - £10,001 - £15,000).

Mr M Davies- Staff Governor (appointed 5 January 2018)- Salary £0 - £5,000 (2017 - Nil)
Employers Pension Nil (2017 - Nil).

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

9 Governors and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance via the EFA Risk Protection Arrangement (RPA) to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2018 is included within the insurance fee.

10 Tangible fixed assets

	Land and buildings	Assets under the course of construction	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost					
At 1 September 2017	-	13,074,604	387,793	616,877	14,079,274
Transfer on conversion	13,298,189	(13,298,189)	-	-	-
Additions	-	223,585	160,209	91,884	475,678
At 31 August 2018	13,298,189	-	548,002	708,761	14,554,952
Depreciation					
At 1 September 2017	-	-	219,347	53,131	272,478
Charge for the year	265,964	-	107,905	137,264	511,133
At 31 August 2018	265,964	-	327,252	190,395	783,611
Net book value					
At 31 August 2018	13,032,225	-	220,750	518,366	13,771,341
At 31 August 2017	-	13,074,604	168,446	563,746	13,806,796

The Community School's new building was completed at the end of the accounting period, the overall management of the project is dealt with by the ESFA. The school receives ESFA capital funding for the build. The work is independently certified by a professional quality surveyor.

ISLAND COMMUNITY SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

10 Tangible fixed assets

(Continued)

11 Debtors	2018	2017
	£	£
Trade debtors	6,535	13
VAT recoverable	26,344	662,339
Other debtors	115,554	-
Prepayments and accrued income	56,337	446,176
	<u>204,770</u>	<u>1,108,528</u>

12 Creditors: amounts falling due within one year

2018
£

2017
£

Trade creditors	133,262	739,915
Other taxation and social security	38,772	37,188
Accruals and deferred income	16,446	425,665
	<u>188,480</u>	<u>1,202,768</u>

13 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	89,817	2,473,735	(2,352,964)	(58,391)	152,197
Start up grants	-	93,500	(93,500)	-	-
Other DfE / ESFA grants	-	125,585	(136,942)	11,357	-
Other government grants	-	57,556	(57,556)	-	-
Pension reserve	(114,000)	-	(73,000)	83,000	(104,000)
	<u>(24,183)</u>	<u>2,750,376</u>	<u>(2,713,962)</u>	<u>35,966</u>	<u>48,197</u>
Restricted fixed asset funds					
DfE group capital grants	13,806,796	428,644	(511,133)	47,034	13,771,341
	<u>13,806,796</u>	<u>428,644</u>	<u>(511,133)</u>	<u>47,034</u>	<u>13,771,341</u>
Total restricted funds	<u>13,782,613</u>	<u>3,179,020</u>	<u>(3,225,095)</u>	<u>83,000</u>	<u>13,819,538</u>
Unrestricted funds					
General funds	-	318,761	(318,761)	-	-
	<u>-</u>	<u>318,761</u>	<u>(318,761)</u>	<u>-</u>	<u>-</u>
Total funds	<u>13,782,613</u>	<u>3,497,781</u>	<u>(3,543,856)</u>	<u>83,000</u>	<u>13,819,538</u>

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

13 Funds

(Continued)

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

Restricted General Funds are made up of the General Annual Grant received, to be spent on education within the academy, and other related DfE or other authority grants.

Restricted Fixed Asset Funds relate to the capital funding received for the construction of the new academy building, educational equipment and fixtures and fitting.

Unrestricted Funds are all other sources of income generated by the academy through trading, catering, transport, additional trips or fundraising and to which no restrictions apply regarding the way they are spent.

The pension reserve reflects the projected deficit on the school's element of the Local Government Pension Scheme.

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

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant (GAG)	65,833	1,838,042	(1,792,363)	(21,695)	89,817
Start up grants	-	125,000	(125,000)	-	-
Other DfE / ESFA grants	-	98,856	(98,856)	-	-
Other government grants	-	29,486	(29,486)	-	-
Pension reserve	(80,000)	-	(54,000)	20,000	(114,000)
	<u>(14,167)</u>	<u>2,091,384</u>	<u>(2,099,705)</u>	<u>(1,695)</u>	<u>(24,183)</u>
Restricted fixed asset funds					
DfE group capital grants	6,496,154	7,457,846	(168,899)	21,695	13,806,796
Total restricted funds	<u>6,481,987</u>	<u>9,549,230</u>	<u>(2,268,604)</u>	<u>20,000</u>	<u>13,782,613</u>
Unrestricted funds					
General funds	-	223,756	(223,756)	-	-
Total funds	<u>6,481,987</u>	<u>9,772,986</u>	<u>(2,492,360)</u>	<u>20,000</u>	<u>13,782,613</u>

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

13 Funds

(Continued)

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	65,833	4,311,777	(4,145,327)	(80,086)	152,197
Start up grants	-	218,500	(218,500)	-	-
Other DfE / ESFA grants	-	224,441	(235,798)	11,357	-
Other government grants	-	87,042	(87,042)	-	-
Pension reserve	(80,000)	-	(127,000)	103,000	(104,000)
	(14,167)	4,841,760	(4,813,667)	34,271	48,197
Restricted fixed asset funds					
DfE group capital grants	6,496,154	7,886,490	(680,032)	68,729	13,771,341
Total restricted funds	6,481,987	12,728,250	(5,493,699)	103,000	13,819,538
Unrestricted funds					
General funds	-	542,517	(542,517)	-	-
Total funds	6,481,987	13,270,767	(6,036,216)	103,000	13,819,538

14 Pension and similar obligations

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Isle of Wight 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 related to the period ended 31 March 2014 and of the LGPS 31 March 2013.

No pension contributions were outstanding at the year end.

Teachers' Pension Scheme

Introduction

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

**ISLAND COMMUNITY SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

14 Pension and similar obligations

(Continued)

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

Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

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

The pension costs paid to the TPS in the period amounted to £185,507 (2017: £182,781).

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The agreed contribution rates for future years are 23.5% for employers and 6% for employees.

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

14 Pension and similar obligations

(Continued)

Total contributions made	2018 £	2017 £
Employer's contributions	92,000	64,000
Employees' contributions	23,000	16,000
Total contributions	115,000	80,000

Principal actuarial assumptions	2018 %	2017 %
Rate of increase in salaries	2.7	2.8
Rate of increase for pensions in payment/inflation	2.3	2.4
Discount rate for scheme liabilities	2.8	2.5

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

	2018 Years	2017 Years
Retiring today		
- Males	22.3	22.3
- Females	24.7	24.7
Retiring in 20 years		
- Males	23.9	23.9
- Females	26.5	26.5

Defined benefit pension scheme net liability

Scheme assets	336,000	206,000
Scheme obligations	(440,000)	(320,000)
Net liability	(104,000)	(114,000)

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

	2018 Fair value £	2017 Fair value £
Equities	231,840	142,140
Bonds	84,000	53,560
Property	20,160	10,300
Total market value of assets	336,000	206,000

The actual return on scheme assets was £15,000 (2017: £(1,000)).

**ISLAND COMMUNITY SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

14 Pension and similar obligations

(Continued)

Amount recognised in the Statement of Financial Activities	2018 £	2017 £
Current service cost	70,000	51,000
Interest income	(7,000)	(3,000)
Interest cost	10,000	6,000
Total operating charge	73,000	54,000

Changes in the present value of defined benefit obligations

**2018
£**

At 1 September 2017	320,000
Current service cost	162,000
Interest cost	10,000
Employee contributions	23,000
Actuarial gain	(75,000)
At 31 August 2018	440,000

Changes in the fair value of the academy trust's share of scheme assets

**2018
£**

At 1 September 2017	206,000
Interest income	7,000
Actuarial (gain)/loss	8,000
Employer contributions	92,000
Employee contributions	23,000
At 31 August 2018	336,000

15 Analysis of net assets between funds

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	-	-	13,771,341	13,771,341
Current assets	-	340,677	-	340,677
Creditors falling due within one year	-	(188,480)	-	(188,480)
Defined benefit pension liability	-	(104,000)	-	(104,000)
Total net assets	-	48,197	13,771,341	13,819,538

ISLAND COMMUNITY SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

15 Analysis of net assets between funds

(Continued)

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	-	-	13,806,796	13,806,796
Current assets	-	1,292,585	-	1,292,585
Creditors falling due within one year	-	(1,202,768)	-	(1,202,768)
Defined benefit pension liability	-	(114,000)	-	(114,000)
Total net assets	-	(24,183)	13,806,796	13,782,613

16 Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2018 £	2017 £
Net (expenditure)/income for the reporting period (as per the Statement of Financial Activities)	(46,075)	7,280,626
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(428,644)	(7,457,846)
Defined benefit pension costs less contributions payable	70,000	51,000
Defined benefit pension net finance cost	3,000	3,000
Depreciation of tangible fixed assets	511,133	99,307
Loss on disposal of fixed assets	-	69,592
Decrease in debtors	903,758	335,929
(Decrease) in creditors	(1,014,288)	(1,106,547)
Net cash used in operating activities	(1,116)	(724,939)

17 Commitments under operating leases

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

	2018 £	Restated 2017 £
Amounts due within one year	19,704	18,912
Amounts due in two and five years	57,577	41,555
	77,281	60,467

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

18 Related party transactions

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

There was no amounts paid to governors for services or provisions or goods during the period. (2017 - Nil)

A Governors spouse (Mrs J Boyd) is employed by the school as a teacher. During the year £41,687 (2017 - £40,264) was paid in respect of remuneration for her teaching role, and £6,870 (2017 - £6,636) was paid by way of employer's pension contributions.

A Governors spouse (Mrs I Riches) is employed by the school as a teacher. During the year £39,657 (2017 - £39,264) was paid in respect of remuneration for her teaching role, and £6,535 (2017 - £6,470) was paid by way of employer's pension contributions.

A Member of the Senior Management Team's spouse (Mrs N Peace) is employed by the school as a teacher. During the year £14,480 (2017 - £38,750) was paid in respect of remuneration for her teaching role, and £3,826 (2017 - £6,386) was paid by way of employer's pension contributions.

A Members of the Senior Management Team's spouse (Mrs N Naude) is employed by the school in an accounting role. During the year £27,522 (2017 - £26,640) was paid in respect of remuneration for her administrative role, and £6,467 (2017 - £6,260) was paid by way of employer's pension contributions.

19 Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £1 for the debts and liabilities contracted before he or she ceases to be a member.