

**Company Registration Number: 07744525 (England & Wales)**

**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2019**

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
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**REFERENCE AND ADMINISTRATIVE DETAILS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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<b>Members</b>	Dee McIlmurray Isaac Otomewo Lewis Palin
<b>Governors</b>	Julie Ann Davies Dee McIlmurray, Chair of Governors Karen Earl (resigned 9 July 2019) Lewis Palin, Vice Chair of Governors Paul Earley Alan Morgan Isaac Otomewo John Edwards (resigned 8 March 2019) Lyndsey Bastock Louise Macarthur-Claire (appointed 8 July 2019) Oliver Drain (appointed 7 October 2019)
<b>Company registered number</b>	07744525
<b>Company name</b>	Hillcrest School and Sixth Form Centre
<b>Principal and registered office</b>	Stonehouse Lane Bartley Green Birmingham B32 3AE
<b>Headteacher and accounting officer</b>	Julie Ann Davies
<b>Senior management team</b>	Julie Ann Davies Samuel Abbotts Stephen Connor-Hemming Shamim Khalid Sharron Johnson
<b>Independent auditor</b>	Crowe U.K. LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG
<b>Bankers</b>	Lloyds TSB 125 High Street Birmingham B17 9NP

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**GOVERNORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2018 to 31 August 2019. The Annual report serves the purposes of both a Governors' report, and a Directors' report under company law.

Hillcrest School and Sixth Form Centre is an 11 - 18 girls' Converter Academy with mixed sixth form provision and is also part of the Oaks Collegiate and the Bartley Green Teaching Schools Alliance.

Hillcrest School and Sixth Form Centre was inspected by Ofsted in September 2013 and achieved a 'Good' overall Ofsted rating with an 'Outstanding' grade for Behaviour and Safety. In July 2017 Hillcrest had a short Ofsted inspection that confirmed the leadership team has maintained the good quality of education since the last inspection.

**STRUCTURE GOVERNANCE AND MANAGEMENT**

**CONSTITUTION**

The Charitable Company is a charitable company limited by guarantee and an exempt charity. The Charitable Company's Memorandum of Association is the primary governing document of the academy trust. The Governors of Hillcrest School and Sixth Form Centre are also the directors of the Charitable Company for the purpose of company law. Details of the Governors who served during the year are included in the Reference and administrative details on page 1.

**MEMBERS' LIABILITY**

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

**GOVERNORS' INDEMNITIES**

As allowed by the provisions of the Articles of Association of the Academy and as disclosed in note 11, professional indemnity insurance is paid on behalf of the Governors of the Academy.

**METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS**

The Academy's Board of Governors is subject to retirement by rotation. Governors are eligible for re election at the meeting at which they retire. The Governors to retire are those who have served the longest in office since their appointment or re election. New Governors are recruited in accordance with the Articles of Association and 'A Guide to the Law for School Governors.' The term of office for any Governor is 4 years, although this time limit does not apply to the Head teacher.

**POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS**

The Academy continues to procure Governor Support services provided by Birmingham City Council, the local authority. Additional training is provided as required based on individual or collective need. External advice and support is commissioned where necessary.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**ORGANISATIONAL STRUCTURE**

The structure of the Academy consists of three senior levels: the Board of Governors, including the Head Teacher, the Senior Leadership Team, which includes the Deputy Head Teachers, Assistant Head Teachers and Strategic Business Manager and the broader Leadership Team of Learning Managers and Support Staff Managers. An aim of this management structure is to distribute responsibility and accountability and to encourage involvement in decision making at all levels so that the Academy nurtures the talents of its entire staff to support continual improvement and excellence.

The Board of Governors is responsible for setting the Academy's policies, adopting the Academy School Improvement Plan and budget, monitoring performance against these plans and making major decisions about the direction of the Academy including its curriculum, the achievement and welfare of students and staffing.

The Head Teacher, Deputy Head Teachers, Assistant Head Teachers and Strategic Business Manager as a Senior Leadership Team control the Academy at an executive level, implementing the policies set by the Board of Governors and reporting back to them.

The Board of Governors has established three sub committees. Each sub committee has its own terms of reference detailing the responsibilities discharged to the sub committee, to the Head teacher, (The Accounting Officer), Deputy Head Teachers, Assistant Head Teachers and Strategic Business Manager. The terms of reference and meeting frequency for each sub committee is reviewed and approved by the Board of Governors annually. The terms of reference for the Finance Sub Committee detail the Academy's authorised spending limits.

The sub committees of the Governing Body are the,

- Finance and Operations Committee
- Personnel Committee
- Curriculum and Standards Committee

Groups of governors may be formally organised outside of the sub committee structure to support the Academy as required, to consider:

- Head teachers Pay Committee
- Pupil Exclusions Panel
- Staff Capability, Disciplinary and Pay Appeals Panel

**PAY POLICY FOR KEY MANAGEMENT PERSONNEL**

The salaries of the Headteacher, Deputy Headteacher/s and Assistant Headteacher will be reviewed annually as required by the School Teachers Pay and Condition Document.

Working in the academy sector Hillcrest School and Sixth Form Centre believes that it is important to be transparent about pay levels of its key management personnel and how those salaries are set. Our salaries are benchmarked against similar roles in the academy sector.

The academy uses a recognised pay scale for teachers however some flexibility is applied to take into consideration the specific requirements for each post and ensure we can recruit and retain the best people for the role with both the skills required and the passion for the service. For support staff the nationally recognised single status salary grading is used to ensure equal pay.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**TRADE UNION FACILITY TIME**

**Relevant union officials**

Number of employees who were relevant union officials during the year	1
Full-time equivalent employee number	1

**Percentage of time spent on facility time**

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

**Percentage of pay bill spent on facility time** £

Total cost of facility time	611
Total pay bill	2,705,715
Percentage of total pay bill spent on facility time	0.023 %

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	-	%
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**CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS**

The Academy continues to work in partnership with the twelve other schools in the Oaks Collegiate, including shared provision at post 16. Hillcrest School and Sixth Form Centre is part of the Bartley Green Teaching School Alliance and have members of the senior leadership team trained to deliver the Improving Teacher Programme and Outstanding Teacher Programme to develop provision within the school and the collegiate.

The Headteacher is a member of the Birmingham Education Partnership (BEP) and served as a Director on the Board from 2015 to 2017 and is still a Secondary Representative for the Oaks Collegiate.

**PRINCIPAL ACTIVITIES**

Hillcrest School and Sixth Form Centre is an 11 - 18 girls' Converter Academy with mixed sixth form provision and is also part of the Oaks Collegiate and the Bartley Green Teaching Schools Alliance.

Hillcrest School and Sixth Form Centre was inspected by Ofsted in September 2013 and achieved a 'Good' overall Ofsted rating with an 'Outstanding' grade for Behaviour and Safety. In July 2017 Hillcrest had a short Ofsted inspection that confirmed the leadership team has maintained the good quality of education since the last inspection.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**OBJECTIVES AND AIMS**

The object of Hillcrest School and Sixth Form Centre is set out in the Company's Articles of Association, namely "to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining and carrying on, managing and developing a school offering a broad and balanced curriculum".

The Board of Governors continues to set the Academy's strategic aims through the School Improvement Plan. These aims are monitored closely by the Board of Governors by way of Head teacher and Senior Team Reports and through the work of the sub committees.

The aims and objectives for the Academy are derived from the school's mission statement which is:

**"Hillcrest School and Sixth Form Centre is a safe and respectful learning environment where every child is valued as an individual with unique talents and ambitions"**

We

- are an outward looking and confident community, actively promoting the fundamental British values of democracy, the rule of law, individual liberty, mutual respect, and tolerance of those with different faiths and beliefs;
- are a happy, responsible and fair school respected by the community;
- improve our environment to meet the educational demands of the twenty-first century;
- raise expectations and achievement for all;
- prepare everyone for the challenges of modern Britain and a changing world; and
- develop a passion for life-long learning.

The key aims of the Academy for the forthcoming year are to:

- To ensure all students make consistently strong progress in all subjects, developing secure knowledge, understanding and skills.
- To ensure disadvantaged students at Hillcrest perform as well as all other students nationally.
- To continue to increase the number of GCSE grade 4+, 5+ and 7+.
- To continue to improve outcomes for students with SEND and high prior attainment.
- To ensure all students at Hillcrest have access to a range of careers advice and guidance.
- To ensure all students at Hillcrest know how to keep themselves safe in a range of situations.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**Teaching, Learning and Assessment**

**Make sure that teaching consistently challenges and motivates all students, by:**

1. making effective use of assessment information to match tasks to students' needs and abilities;
2. ensuring learning activities and questioning techniques engage and challenge all students fully;
3. encouraging all students to take responsibility for their own learning and develop their independent learning skills using 'flipped learning' and the six effective learning strategies.
4. ensuring that marking and feedback always make clear the next steps a student needs to take to make further progress;
5. ensuring all students have time to reflect on their feedback and make adjustments, supporting them to make further progress.

**Personal development, behaviour and welfare**

To continue to develop student support and reward systems including 'Getting It Right' behaviour and attendance scheme, PREVENT and IAG.

**PUBLIC BENEFIT**

In setting our objectives and planning our activities, the Governors have given careful consideration to the Charity Commission's general guidance on public benefit.

**STRATEGIC REPORT**

**ACHIEVEMENTS AND PERFORMANCE**

Hillcrest School and Sixth Form Centre was legally formed on midnight of the 1st September 2011. This Annual Report covers the Academy's eighth period of operation.

There were 486 students on roll in year 7 to 11 and 51 students in the Sixth Form, on 31st August 2019.

The Academy is committed to continual improvement which is achieved in a number of ways including: improvement planning, review meetings, continual professional development, lesson observations, performance management, learning walks, self-evaluation, data analysis and action planning.



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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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Tables 1 and 2 below provide a summary of the Academy's performance in the summer 2019 examination season:

**KEY PERFORMANCE INDICATORS**

**Table 1. Summary of GCSE examination results**

GCSE	2018/19 Target	2018/19 Results
Progress 8 Score	>0	+0.84
Attainment 8 Score	46.55	50.6
Grade 4+ GCSE in Maths and English	45%	67%
Grade 5+ GCSE in Maths and English	35%	44%
Ebacc at grade 4+	40%	45%
Ebacc at grade 5+	25%	24%
Ebacc APS	4.56	4.76

**Table 2. Summary of A Level examination results**

A Level and BTEC L3	2018/19 Target	2018-19 Results
Pass rate	100%	100%
A*- B Grades	20%	32%
A*-C Grades	60%	68%

**2019-20 Targets**

GCSE	2019/20 Target
Progress 8 Score	>0
Attainment 8 Score	40.00
Grade 4+ GCSE in Maths and English	55%
Grade 5+ GCSE in Maths and English	40%
Ebacc 4+	35%
Ebacc 5+	25%
A Level and BTEC L3	2019/20 Target
Pass rate	100%
A*- B Grades	20%
A*- C Grades	60%

**REVIEW OF ACTIVITIES**

The Academy received income into its Unrestricted Fund, Restricted General Funds and Restricted Fixed Asset Fund during 2018/19

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**Restricted General Fund**

The majority of the Academy's income was received through Education and Skills Funding Agency (ESFA) recurrent revenue grants into the Restricted General Fund, the use of which is restricted to the Academy's charitable activities, its educational operations. These revenue grants, and the associated revenue expenditure made against them, are detailed in the SOFA. General Restricted Fund income for the year was £3,695,240; expenditure against the fund was £3,755,774, giving an in year deficit of £60,534 before transfers and losses.

**Unrestricted Funds**

Income received into the Unrestricted Fund was £113,547. Expenditure against the fund was £43,434 for the year, giving an in year carry forward of £70,113 before transfers.

**Restricted Fixed Asset (Capital) Fund**

The Restricted Fixed Asset Fund balance is reduced by an annual depreciation charge over the expected useful life of the assets concerned in line with the Academy's depreciation policy.

Income received into the fund was £663,939.

The SOFA details a £6,446,473 Restricted Fixed Asset Fund year end surplus after transfers between funds. This is detailed in note 16 to the accounts.

**Summary of Financial Performance**

Total fund balance as at 31st August 2019 was £4,882,923 comprised of £401,158, £94,292 and £6,446,473 in Unrestricted, Restricted General and Restricted Fixed Asset Funds respectively as well as the Restricted Pension Reserve deficit of £2,059,000.

**Balance Sheet**

The Academy's assets were predominantly used for providing education to school students. Some assets were used by the local community, predominantly for sports, as part of the school's sports focus and strategic aims to promote health, pathways into the community and work, and community cohesion.

The net book value of the Academy's tangible fixed assets was £5,923,021 as at 31st August 2019. The movement in this account is detailed in note 12.

Cash in hand at 31st August 2019 was £691,685.

The Reserves and Investment Policies are detailed on the next page.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**RESERVES POLICY**

The Board of Governors reviews the Academy's Reserve Policy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Governors will keep the level of reserves under review.

The Governing Body has determined that the appropriate level of free reserves should be equivalent to 6 weeks expenditure, which equates to approximately £400,000. This is based on sufficient working capital to cover delays between spending and receipt of grants and to provide a contingency to deal with unexpected emergencies.

The Academy's free reserves as at 31st August 2019 were £495,450. The Academy intends to continue building free reserves in the future by generating more income from increased pupil numbers, making in year savings and reducing expenditure wherever possible.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**INVESTMENTS POLICY**

Investment vehicles are approved by the Board of Governors with the support of expert advice as necessary. The Academy has invested funds in a Corporate Guaranteed Investment Account. This is a low risk short term deposit. The objective of this account is to hold the Academy's reserve at low risk.

The Academy does not have any endowment funds.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Board of Governors has a comprehensive risk management process to identify and monitor the risks faced by the Academy. The principal risks identified include governance, statutory compliance, finance, insurance, attainment, attendance, behaviour, health and safety, organisation, operations, safeguarding, reputation, HR and ICT. A risk rating mechanism is in place with greater emphasis directed towards those identified higher risk areas.

The Governors consider a significant source of financial risk to be that of the funding requirements of the Local Government Pension Scheme ("LGPS"). In order to mitigate this risk, the current and foreseeable service cost is monitored and periodic actuarial valuations are reviewed to assess the impact of external factors on the scheme liability.

**PLANS FOR FUTURE PERIODS**

Hillcrest School and Sixth Form Centre strives to continually improve levels of achievement for all students, equipping them with the qualifications and skills to move on to the next stage of their educational journey.

The curriculum, the quality of teaching and learning, support, guidance and interventions are consistently reviewed to help every child achieve their full academic and social potential. Hillcrest School and Sixth Form Centre aims to maintain its reputation as a happy and cohesive community where every individual is supported and valued.

**GOING CONCERN**

After consideration of the school's financial position, its financial plans, (including projected student numbers), the demand for places and the broader environment, the Board of Governors has a reasonable expectation that the Academy has and will continue to have adequate resources to enable it to be a sustainable going concern in 2019/2020 and for the foreseeable future. The Academy will continue to ensure best value of all contracts/supplies, make in year savings where possible and regularly review staffing expenditure. Further details regarding the adoption of the Going Concern basis can be found in the statement of accounting policies.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**FUNDS HELD AS CUSTODIAN**

The academy acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use a % of the allocation towards its own administration costs and this is recognised in the statement of financial activities.

**FUNDRAISING**

The academy had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

**DISCLOSURE OF INFORMATION TO AUDITOR**

Insofar as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Governors have taken all the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

**AUDITOR**

The auditors, Crowe U.K. LLP are willing to continue in office and a resolution to appoint them will be proposed at the Annual General Meeting.

The Governors' report was approved by order of the Board of Governors, as the company directors, on 10 December 2019 and signed on its behalf by:



**Dee McIlmurray**  
Chair of Trustees



**Julie Ann Davies**  
Accounting Officer

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
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**GOVERNANCE STATEMENT**

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**SCOPE OF RESPONSIBILITY**

As Governors, we acknowledge we have overall responsibility for ensuring that Hillcrest School and Sixth Form Centre 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 Hillcrest School and Sixth Form Centre 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 6 times during the year. Attendance during the year at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
Julie Ann Davies	6	6
Dee McIlmurray, Chair of Governors	6	6
Karen Earl	6	6
Lewis Palin, Vice Chair of Governors	5	6
Paul Earley	3	6
Alan Morgan	0	6
Isaac Otomewo	2	6
John Edwards	2	3
Lyndsey Bastock	6	6
Louise Macarthur-Clare	0	0
Oliver Drain	0	0

Governor's review annually their priorities for the next 3 years. Current priorities include:

- Curriculum review in response to the demands of the more challenging GCSE, A level and BTEC Level 3 courses and the tracking of students' performance from Year 7 towards these linear qualifications.
- Managing recruitment, staff development and retention in a time of falling budgets.
- Bidding for funds to continue to update the teaching and learning facilities.
- Maintaining and strengthen the Oaks Colligate Partnership of schools.

The Finance and Operations Committee is a sub-committee of the main Board of Governors. Its purpose is to:

- assist the decision making of the Governing Body, by enabling more detailed consideration to be given to the best means of fulfilling the Governing Body's responsibility to ensure sound management of the Academy's finances, resources and premises;

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**GOVERNANCE STATEMENT (continued)**

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Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Julie Ann Davies	6	6
Karen Earl	6	6
Paul Earley	6	6
Alan Morgan	0	6
Isaac Otomewo	1	6
John Edwards	1	3
Lyndsey Bastock	6	6

**REVIEW OF VALUE FOR MONEY**

As Accounting Officer, the Head teacher has responsibility for ensuring that the Charitable Company delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Charitable Company's use of its resources has provided good value for money during each academic year, and reports to the Board of Governors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Charitable Company has delivered improved value for money during the year by:

- improving educational results;
- collaboration - the Academy continues to work in partnership with the nine other schools in the Oaks Collegiate, including shared provision at post 16;
- financial governance and oversight, including regular meeting of the Finance and Operations Committee and review of budget monitoring reports;
- taking a prudent approach to expenditure and ensuring staffing structures are fit for purpose through an annual review;
- regularly undertaking tender exercises of all supplies and services to ensure they remain competitive;
- generating income through hire of sports and business facilities at every opportunity;
- reviewing controls and managing risks; and
- budget holders, managers and governors regularly scrutinising budget reports to ensure the most effective use of resources.

**THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Charitable Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hillcrest School and Sixth Form Centre for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

**CAPACITY TO HANDLE RISK**

The Board of Governors has reviewed the key risks to which the Charitable Company 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 Charitable Company's significant risks, that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
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**GOVERNANCE STATEMENT (continued)**

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**THE RISK AND CONTROL FRAMEWORK**

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

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

The Board of Governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed Crowe U.K. LLP, the external auditor, to perform additional checks.

The reviewer's role includes giving advice on financial matters and performing a range of checks on the Charitable Company's financial systems. In particular the checks carried out in the current period included:

- Purchasing
- Payroll
- Bank Reconciliation
- Control Accounts
- Cash Handling

On an annual basis, the external auditor reports to the Board of Governors through the audit committee on the operation of the systems of control and on the discharge of the Board of Governors' financial responsibilities.

**REVIEW OF EFFECTIVENESS**

As Accounting Officer, the Head teacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Operations Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Governors on 10 December 2019 and signed on their behalf, by:



**Dee McIlmurray**  
Chair of Trustees



**Julie Ann Davies**  
Accounting Officer



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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of Hillcrest School and Sixth Form Centre I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy trust board of trustees 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 2018.

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



**Julie Ann Davies**  
**Accounting Officer**

Date: 10 December 2019

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
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**STATEMENT OF GOVERNORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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The Governors (who act as Governors of Hillcrest School and Sixth Form Centre and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' Report (including the Strategic Report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from 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 financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Governors on 10 December 2019 and signed on its behalf by:



**Dee McIlmurray**  
Chair of Trustees

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF  
HILLCREST SCHOOL AND SIXTH FORM CENTRE**

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**OPINION**

We have audited the financial statements of Hillcrest School and Sixth Form Centre (the 'Charitable Company') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 August 2019 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF  
HILLCREST SCHOOL AND SIXTH FORM CENTRE**

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**OTHER INFORMATION**

The Governors are responsible for the other information. The other information comprises the information included in the Annual report (which includes the Reference and Administrative Details, the Report of the Directors and Strategic Report and the Governance Statement), other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**OPINION 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Governors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of our knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 TRUSTEES**

As explained more fully in the Statement of Governors' Responsibilities, the Governors (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF  
HILLCREST SCHOOL AND SIXTH FORM CENTRE**

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In preparing the financial statements, the Governors are responsible for assessing the Charitable Company'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 to cease operations, or have no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

**USE OF OUR REPORT**

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



Dave Darlaston (Senior statutory auditor)

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

Black Country House  
Rounds Green Road  
Oldbury  
West Midlands  
B69 2DG

Date: 12/12/19

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HILLCREST  
SCHOOL AND SIXTH FORM CENTRE AND THE EDUCATION FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 3rd September 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hillcrest School and Sixth Form Centre during the year 1 September 2018 to 31 August 2019 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 Hillcrest School and Sixth Form Centre and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Hillcrest School and Sixth Form Centre and the 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 Hillcrest School and Sixth Form Centre and the ESFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF HILLCREST SCHOOL AND SIXTH FORM CENTRE'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT**

The Accounting Officer is responsible, under the requirements of Hillcrest School and Sixth Form Centre's funding agreement with the Secretary of State for Education dated 1 September 2012, and the Academies Financial Handbook extant from 1 September 2018, 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 2018 to 2019. 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 year 1 September 2018 to 31 August 2019 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 2018 to 2019 Issued by the 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 Charitable Company's income and expenditure.

The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HILLCREST  
SCHOOL AND SIXTH FORM CENTRE AND THE EDUCATION FUNDING AGENCY (continued)**

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**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 year 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Crowe U.K. LLP**

**Reporting Accountant**

**Black Country House  
Rounds Green Road  
Oldbury  
West Midlands  
B69 2DG**

**Date:** 12/12/19

**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
<b>INCOME FROM:</b>						
Donations and capital grants	2	-	-	663,939	663,939	177,932
Charitable activities	5	71,938	3,695,240	-	3,767,178	3,616,030
Other trading activities	3	40,528	-	-	40,528	42,034
Investments	4	1,081	-	-	1,081	766
<b>TOTAL INCOME</b>		<b>113,547</b>	<b>3,695,240</b>	<b>663,939</b>	<b>4,472,726</b>	<b>3,836,762</b>
<b>EXPENDITURE ON:</b>						
Raising funds		19,065	-	-	19,065	25,576
Charitable activities		24,369	3,755,774	269,967	4,050,110	3,970,748
<b>TOTAL EXPENDITURE</b>	6	<b>43,434</b>	<b>3,755,774</b>	<b>269,967</b>	<b>4,069,175</b>	<b>3,996,324</b>
<b>NET INCOME / (EXPENDITURE) BEFORE TRANSFERS</b>						
Transfers between Funds	17	70,113	(60,534)	393,972	403,551	(159,562)
		-	23,826	(23,826)	-	-
<b>NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>						
		70,113	(36,708)	370,146	403,551	(159,562)
Actuarial gains/(losses) on defined benefit pension schemes	23	-	(372,000)	-	(372,000)	401,000
<b>NET MOVEMENT IN FUNDS</b>		<b>70,113</b>	<b>(408,708)</b>	<b>370,146</b>	<b>31,551</b>	<b>241,438</b>
<b>RECONCILIATION OF FUNDS:</b>						
Total funds brought forward		331,045	(1,556,000)	6,076,327	4,851,372	4,609,934
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>401,158</b>	<b>(1,964,708)</b>	<b>6,446,473</b>	<b>4,882,923</b>	<b>4,851,372</b>

The notes on pages 25 to 45 form part of these financial statements.



**HILLCREST SCHOOL AND SIXTH FORM CENTRE**

(A company limited by guarantee)

REGISTERED NUMBER: 07744525

**BALANCE SHEET  
AS AT 31 AUGUST 2019**

	Note	£	2019 £	£	2018 £
<b>FIXED ASSETS</b>					
Tangible assets	12		5,923,021		5,664,458
<b>CURRENT ASSETS</b>					
Debtors	13	577,092		310,687	
Cash at bank and in hand		691,685		597,563	
		<u>1,268,777</u>		<u>908,250</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	(190,112)		(165,336)	
<b>NET CURRENT ASSETS</b>			<u>1,078,665</u>		<u>742,914</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>7,001,686</u>		<u>6,407,372</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(59,763)		-	
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES</b>			<u>6,941,923</u>		<u>6,407,372</u>
Defined benefit pension scheme liability	23	(2,059,000)		(1,556,000)	
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>4,882,923</u></u>		<u><u>4,851,372</u></u>
<b>FUNDS OF THE ACADEMY</b>					
Restricted income funds:					
Restricted income funds	17	94,292		-	
Pension Reserve	17	(2,059,000)		(1,556,000)	
Restricted fixed asset funds	17	<u>6,446,473</u>		<u>6,076,327</u>	
Total restricted income funds			<u>4,481,765</u>		<u>4,520,327</u>
Unrestricted income funds	17		<u>401,158</u>		<u>331,045</u>
<b>TOTAL FUNDS</b>			<u><u>4,882,923</u></u>		<u><u>4,851,372</u></u>

The financial statements on pages 22 to 45 were approved by the Governors, and authorised for issue, on 10 December 2019 and are signed on their behalf, by:

  
Dee McIlmurray  
Chair of Trustees

The notes on pages 25 to 45 form part of these financial statements.

**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
(A company limited by guarantee)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	19	<b>(42,368)</b>	<b>514,641</b>
<b>Cash flows from investing activities:</b>			
Interest from investments		<b>1,081</b>	<b>766</b>
Purchase of tangible fixed assets		<b>(528,530)</b>	<b>(621,777)</b>
Capital grants from DfE Group		<b>663,939</b>	<b>177,932</b>
<b>Net cash provided by/(used in) investing activities</b>		<b>136,490</b>	<b>(443,079)</b>
<b>Change in cash and cash equivalents in the year</b>		<b>94,122</b>	<b>71,562</b>
Cash and cash equivalents brought forward		<b>597,563</b>	<b>526,001</b>
<b>Cash and cash equivalents carried forward</b>	20	<b>691,685</b>	<b>597,563</b>

The notes on pages 25 to 45 form part of these financial statements.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**1. ACCOUNTING POLICIES**

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

**1.1 Basis of preparation of financial statements**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Hillcrest School and Sixth Form Centre constitutes a public benefit entity as defined by FRS 102.

**1.2 Company status**

The Charitable Company is a company limited by guarantee. The Charitable Company is incorporated in England & Wales, registered number 07744525. The registered office is Stonehouse Lane, Bartley Green, Birmingham, B32 3AE. The Members of the company are the Governors named on page 1. In the event of the Charitable Company being wound up, the liability in respect of the guarantee is limited to £10 per member of the Charitable Company.

**1.3 Going concern**

The Governors assess whether the use of going concern is appropriate, i.e. 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 financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
(A company limited by guarantee)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2019**

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**1. ACCOUNTING POLICIES (continued)**

**1.4 Income**

All income is recognised once the Charitable Company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of financial activities incorporating income and expenditure account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year 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 when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

**1.5 Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the Charitable Company to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities are costs incurred on the Charitable Company's educational operations, including support costs and those costs relating to the governance of the Charitable Company appointed to charitable activities.

Expenditure is inclusive of irrecoverable VAT.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**1. ACCOUNTING POLICIES (continued)**

**1.6 Tangible fixed assets and depreciation**

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating income and expenditure account and carried forward in the Balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating income and expenditure account. 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 other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Long Term Leasehold Property	-	50 years straight line
Fixtures and Fittings	-	7 years straight line
Computer Equipment	-	3 years straight line

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 incorporating income and expenditure account.

**1.7 Operating leases**

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

**1.8 Taxation**

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

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**1. ACCOUNTING POLICIES (continued)**

**1.9 Financial instruments**

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

*Financial assets* - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the Charitable Company's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 14 and 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments. Amounts due to the Charitable Company's wholly owned subsidiary are held at face value less any impairment.

**1.10 Pensions**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded 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 incorporating income and expenditure account 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.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

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**HILLCREST SCHOOL AND SIXTH FORM CENTRE**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**1. ACCOUNTING POLICIES (continued)**

**1.11 Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Charitable Company 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 with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

**1.12 Liabilities and provisions**

Liabilities and provisions 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 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.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**1.13 Agency arrangements**

The academy acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use a % of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 15.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. ACCOUNTING POLICIES (continued)**

**1.14 Critical accounting estimates and areas of judgment**

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. 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.

**2. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	<b>Restricted fixed asset funds 2019 £</b>	<b>Total funds 2019 £</b>	<b>Total funds 2018 £</b>
Capital grants	<b>663,939</b>	<b>663,939</b>	<b>177,932</b>
	<hr/>	<hr/>	<hr/>
<b>Total 2018</b>	<b>177,932</b>	<b>177,932</b>	
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**3. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Hire of facilities	17,417	17,417	21,592
Catering income	1,648	1,648	3,984
Other income	21,463	21,463	16,458
	<u>40,528</u>	<u>40,528</u>	<u>42,034</u>
<i>Total 2018</i>	<u>42,034</u>	<u>42,034</u>	

**4. INVESTMENT INCOME**

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Investment income	1,081	1,081	766
	<u>766</u>	<u>766</u>	
<i>Total 2018</i>	<u>766</u>	<u>766</u>	

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**5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
<b>DfE/ESFA grants</b>				
General annual grant (GAG)	-	3,395,923	3,395,923	3,210,559
Other DfE/ESFA grants	-	299,317	299,317	336,672
	<u>-</u>	<u>3,695,240</u>	<u>3,695,240</u>	<u>3,547,231</u>
<b>Other funding</b>				
School trip income	18,368	-	18,368	17,941
Other income	53,570	-	53,570	50,858
	<u>71,938</u>	<u>-</u>	<u>71,938</u>	<u>68,799</u>
	<u>71,938</u>	<u>3,695,240</u>	<u>3,767,178</u>	<u>3,616,030</u>
<b>Total 2018</b>	<u>68,799</u>	<u>3,547,231</u>	<u>3,616,030</u>	

**6. EXPENDITURE**

	Staff costs 2019 £	Premises 2019 £	Other costs 2019 £	Total 2019 £	Total 2018 £
<b>Expenditure on fundraising trading</b>					
Direct costs	-	-	19,065	19,065	25,576
<b>Funding for educational operations:</b>					
Direct costs	2,101,818	-	132,396	2,234,214	2,270,336
Support costs	979,876	544,361	291,659	1,815,896	1,700,412
	<u>3,081,694</u>	<u>544,361</u>	<u>443,120</u>	<u>4,069,175</u>	<u>3,996,324</u>
<b>Total 2018</b>	<u>3,059,619</u>	<u>436,423</u>	<u>500,282</u>	<u>3,996,324</u>	

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**NOTES TO THE FINANCIAL STATEMENTS  
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**7. SUPPORT COSTS - EDUCATIONAL OPERATIONS**

	<b>Total 2019</b>	<i>Total 2018</i>
Premises costs	240,835	239,111
Technology costs	100,993	97,618
Other support costs	203,100	205,064
Governance costs	21,125	19,276
Wages and salaries	645,849	613,523
National Insurance	50,506	48,909
Pension cost	283,521	279,599
Depreciation	269,967	197,312
	<u><b>1,815,896</b></u>	<u><i>1,700,412</i></u>

**8. NET INCOME/(EXPENDITURE)**

This is stated after charging:

	<b>2019 £</b>	<i>2018 £</i>
Depreciation of tangible fixed assets: - owned by the academy	269,967	197,312
Operating lease rentals	3,715	4,141
Fees payable to the Academy's auditor in respect of: - the auditing of accounts of associates of the charitable company	10,875	10,675
- all other services	4,475	2,850
	<u><b>288,932</b></u>	<u><i>215,078</i></u>

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**9. STAFF COSTS**

**a. Staff costs**

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	2,183,751	2,162,515
Social security costs	219,357	207,779
Operating costs of defined benefit pension schemes	534,489	518,429
	<u>2,937,597</u>	<u>2,888,723</u>
Agency staff costs	144,097	170,896
	<u><u>3,081,694</u></u>	<u><u>3,059,619</u></u>

**b. Staff numbers**

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

	2019 No.	2018 No.
Teachers	40	40
Administration and support	30	23
Management	5	5
	<u>75</u>	<u>68</u>

**c. Higher paid staff**

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

	2019 No.	2018 No.
In the band £60,001 - £70,000	2	2
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0

**d. 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 £431,569 (2018: £434,593).

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**10. GOVERNORS' REMUNERATION AND EXPENSES**

One or more Governors has been paid remuneration or has received other benefits from an employment with the Charitable Company. The Principal and other staff Governors only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Governors. The value of Governors' remuneration and other benefits was as follows:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Julie Ann Davies	Remuneration	<b>80,000-85,000</b>	<b>75,000-80,000</b>
	Pension contributions paid	<b>10,000-15,000</b>	<b>10,000-15,000</b>
John Edwards	Remuneration	<b>15,000-20,000</b>	<b>30,000-35,000</b>
	Pension contributions paid	<b>0-5,000</b>	<b>5,000-10,000</b>

During the year, no Governors received any benefits in kind (2018 - £NIL).

During the year ended 31 August 2019, no Governors received any reimbursement of expenses (2018 - £NIL).

**11. GOVERNORS' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2019 was £114 (2018 - £114).

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**12. TANGIBLE FIXED ASSETS**

	Long Term Leasehold Property £	Fixtures and Fittings £	Computer Equipment £	Assets under construction £	Total £
<b>Cost</b>					
At 1 September 2018	5,436,403	832,512	102,773	262,636	6,634,324
Additions	-	-	19,673	508,857	528,530
Transfer between classes	-	731,493	-	(731,493)	-
At 31 August 2019	5,436,403	1,564,005	122,446	40,000	7,162,854
<b>Depreciation</b>					
At 1 September 2018	636,486	231,881	101,499	-	969,866
Charge for the year	108,728	157,756	3,483	-	269,967
At 31 August 2019	745,214	389,637	104,982	-	1,239,833
<b>Net book value</b>					
At 31 August 2019	4,691,189	1,174,368	17,464	40,000	5,923,021
At 31 August 2018	4,799,917	600,631	1,274	262,636	5,664,458

The School took out a 125 year lease over the school land and buildings at the date of conversion. The leasehold properties are owned by Birmingham City Council.

**13. DEBTORS**

	2019 £	2018 £
Trade debtors	1,791	509
Other debtors	45,290	118,276
Prepayments and accrued income	530,011	191,902
	<b>577,092</b>	<b>310,687</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**14. CREDITORS: Amounts falling due within one year**

	2019 £	2018 £
ESFA CIF loan	17,187	-
Trade creditors	20,526	10,469
Other taxation and social security	55,370	52,320
Other creditors	44,399	80,072
Accruals and deferred income	52,630	22,475
	<u>190,112</u>	<u>165,336</u>

**15. CREDITORS: Amounts falling due after more than one year**

	2019 £	2018 £
ESFA CIF loan	<u>59,763</u>	<u>-</u>

Loan of £76,950 from the ESFA, is provided on the following terms: 2.01% Interest rate, payable over 5 years via monthly repayments.

**16. AGENCY ARRANGEMENTS**

The academy trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2019 the trust received £9,563 (2018: £10,500) and disbursed £7,959 (2018: £12,828) from the fund. An amount of £6,871 (2018: £5,267) is included in other creditors relating to undistributed funds.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. STATEMENT OF FUNDS**

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
<b>Unrestricted funds</b>						
Unrestricted funds	331,045	113,547	(43,434)	-	-	401,158
<b>Restricted funds</b>						
General Annual Grant (GAG)	-	3,395,923	(3,325,457)	23,826	-	94,292
Pension Reserve	(1,556,000)	-	(131,000)	-	(372,000)	(2,059,000)
Other Restricted funds	-	299,317	(299,317)	-	-	-
	<u>(1,556,000)</u>	<u>3,695,240</u>	<u>(3,755,774)</u>	<u>23,826</u>	<u>(372,000)</u>	<u>(1,964,708)</u>
<b>Restricted fixed asset funds</b>						
Restricted Fixed Asset Funds - general funds	5,664,458	43,499	(269,967)	485,031	-	5,923,021
Capital grants	411,869	620,440	-	(508,857)	-	523,452
Subtotal	<u>6,076,327</u>	<u>663,939</u>	<u>(269,967)</u>	<u>(23,826)</u>	<u>-</u>	<u>6,446,473</u>
Total restricted funds	<u>4,520,327</u>	<u>4,359,179</u>	<u>(4,025,741)</u>	<u>-</u>	<u>(372,000)</u>	<u>4,481,765</u>
Total of funds	<u>4,851,372</u>	<u>4,472,726</u>	<u>(4,069,175)</u>	<u>-</u>	<u>(372,000)</u>	<u>4,882,923</u>

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

The restricted fixed asset funds are provided for specific capital projects.

The restricted income funds are subject to specific expenditure within the Charitable Company's declared objects.

Transfers to or from the restricted fixed asset fund represent purchases from the GAG and capital grants used to meet repairs and maintenance costs.

Other gains and losses relate to the actuarial loss for the year on the Local Government Pension Scheme.

Under the funding agreement with the Secretary of State, the Charitable Company was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.



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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. STATEMENT OF FUNDS (continued)**

**STATEMENT OF FUNDS - PRIOR YEAR**

	<i>Balance at 1 September 2017 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2018 £</i>
<b>Unrestricted funds</b>						
Unrestricted funds	324,631	111,599	(60,815)	(44,370)	-	331,045
<b>Restricted funds</b>						
General Annual Grant (GAG)	-	3,210,559	(3,268,525)	57,966	-	-
Pension Reserve	(1,824,000)	-	(133,000)	-	401,000	(1,556,000)
Other Restricted funds	-	336,672	(336,672)	-	-	-
	<u>(1,824,000)</u>	<u>3,547,231</u>	<u>(3,738,197)</u>	<u>57,966</u>	<u>401,000</u>	<u>(1,556,000)</u>
<b>Restricted fixed asset funds</b>						
Restricted Fixed Asset Funds - general funds	5,239,993	13,596	(197,312)	608,181	-	5,664,458
Capital grants	869,310	164,336	-	(621,777)	-	411,869
Subtotal	<u>6,109,303</u>	<u>177,932</u>	<u>(197,312)</u>	<u>(13,596)</u>	<u>-</u>	<u>6,076,327</u>
Total restricted funds	<u>4,285,303</u>	<u>3,725,163</u>	<u>(3,935,509)</u>	<u>44,370</u>	<u>401,000</u>	<u>4,520,327</u>
Total of funds	<u>4,609,934</u>	<u>3,836,762</u>	<u>(3,996,324)</u>	<u>-</u>	<u>401,000</u>	<u>4,851,372</u>

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**18. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	5,923,021	5,923,021
Current assets	401,158	267,217	600,402	1,268,777
Creditors due within one year	-	(172,925)	(17,187)	(190,112)
Creditors due in more than one year	-	-	(59,763)	(59,763)
Provisions for liabilities and charges	-	(2,059,000)	-	(2,059,000)
	<u>401,158</u>	<u>(1,964,708)</u>	<u>6,446,473</u>	<u>4,882,923</u>

**ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	5,664,458	5,664,458
Current assets	331,045	165,336	411,869	908,250
Creditors due within one year	-	(165,336)	-	(165,336)
Provisions for liabilities and charges	-	(1,556,000)	-	(1,556,000)
	<u>331,045</u>	<u>(1,556,000)</u>	<u>6,076,327</u>	<u>4,851,372</u>

**19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2019 £	2018 £
Net income/(expenditure) for the year (as per Statement of Financial Activities)	403,551	(159,562)
<b>Adjustment for:</b>		
Depreciation charges	269,967	197,312
Interest from investments	(1,081)	(766)
(Increase)/decrease in debtors	(266,405)	502,694
Increase in creditors	84,539	19,895
Capital grants from DfE and other capital income	(663,939)	(177,932)
Defined benefit pension scheme cost less contributions payable	92,000	87,000
Defined benefit pension scheme finance cost	39,000	46,000
<b>Net cash (used in)/provided by operating activities</b>	<u>(42,368)</u>	<u>514,641</u>

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**20. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	2019 £	2018 £
Cash in hand	691,685	597,563
Total	<u>691,685</u>	<u>597,563</u>

**21. CONTINGENT LIABILITIES**

On 26 October 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs". According to HM Treasury, any impact of GMPs is unlikely to be material to the pension valuation and therefore no allowance for GMP equalisation has been made in the FRS102 LGPS pension liability for this year. Full GMP indexation will be applied to the LGPS pension liability once changes to the LGPS have been formally announced.

**22. CAPITAL COMMITMENTS**

At 31 August 2019 the Charitable Company had capital commitments as follows:

	2019 £	2018 £
Contracted for but not provided in these financial statements	<u>608,615</u>	<u>-</u>

**23. PENSION COMMITMENTS**

The Charitable Company's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Pension Fund. Both are Multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2016.

Contributions amounting to £Nil were payable to the schemes at 31 August 2019 (2018 - 43,649) and are included within creditors.

**Teachers' Pension Scheme**

The Academy Trust participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £250,968 (2018 - £238,238) and at the year-end Nil (2018 - £Nil) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by

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

the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.4% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.68%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly no provision for any additional past benefit pension costs is included in these financial statements.

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £189,000 (2018 - £167,000), of which employer's contributions totalled £152,000 (2018 - £132,000) and employees' contributions totalled £37,000 (2018 - £35,000). The agreed contribution rates for future years are 15.1% for employers and 5.8 - 6.5% for employees.

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

As the scheme is in deficit, Hillcrest School and Sixth Form Centre has entered into an agreement with the trustees to make additional contributions in addition to normal funding levels. The contribution levels which apply are as follows:

1 April 2019 - 31 March 2020    £40,200

The Academy has not yet been advised of how many years, nor at what level, this contribution will continue at in future years.

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**23. PENSION COMMITMENTS (continued)**

**West Midlands Pension Fund**

**Principal actuarial assumptions:**

	2019	2018
Discount rate for scheme liabilities	1.85 %	2.65 %
Rate of increase in salaries	3.70 %	3.80 %
Rate of increase for pensions in payment / inflation	2.20 %	2.30 %
Inflation assumption (CPI)	2.20 %	2.70 %

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

	2019	2018
Retiring today		
Males	20.9 years	21.9 years
Females	23.2 years	24.4 years
Retiring in 20 years		
Males	22.6 years	24.1 years
Females	25.1 years	26.7 years

	At 31 August 2019 £'000	At 31 August 2018 £'000
<b>Sensitivity analysis on scheme liabilities</b>		
Discount rate +0.1%	4,219	3,512
Discount rate -0.1%	4,421	3,680
Mortality assumption - 1 year increase	4,481	3,712
Mortality assumption - 1 year decrease	4,163	3,482

The Charitable Company's share of the assets in the scheme was:

	Fair value at 31 August 2019 £'000	Fair value at 31 August 2018 £'000
Equities	1,358	1,290
Gilts	214	147
Other bonds	86	76
Property	184	165
Cash and other liquid assets	82	76
Other	336	285
<b>Total market value of assets</b>	<b>2,260</b>	<b>2,039</b>

The actual return on scheme assets was £135,000 (2018 - £23,000).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

**23. PENSION COMMITMENTS (continued)**

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2019 £	2018 £
Current service cost	243,000	218,000
Net interest on the defined liability	39,000	46,000
Admin expenses	1,000	1,000
<b>Total</b>	<b>283,000</b>	<b>265,000</b>

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

	2019 £	2018 £
Opening defined benefit obligation	3,595,000	3,680,000
Employee contributions	37,000	35,000
Actuarial losses/(gains)	452,000	(428,000)
Current service cost	200,000	218,000
Interest cost	94,000	96,000
Benefits paid	(102,000)	(6,000)
Past service costs	43,000	-
<b>Closing defined benefit obligation</b>	<b>4,319,000</b>	<b>3,595,000</b>

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

	2019 £	2018 £
Opening fair value of scheme assets	2,039,000	1,856,000
Actuarial losses/(gains)	80,000	(27,000)
Employer contributions	152,000	132,000
Employee contributions	37,000	35,000
Interest on assets	55,000	50,000
Benefits paid	(102,000)	(6,000)
Admin expenses	(1,000)	(1,000)
<b>Closing fair value of scheme assets</b>	<b>2,260,000</b>	<b>2,039,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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**24. OPERATING LEASE COMMITMENTS**

At 31 August 2019 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

	2019 £	2018 £
<b>Amounts payable:</b>		
Within 1 year	<b>2,673</b>	3,715
Between 1 and 5 years	<b>2,336</b>	5,346
<b>Total</b>	<b>5,009</b>	9,061

**25. RELATED PARTY TRANSACTIONS**

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 10.

**26. MEMBERS' LIABILITY**

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

