

THE RYE ACADEMY TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

SATURDAY



A66BUW9T

A18

13/05/2017

#37

COMPANIES HOUSE

THE RYE ACADEMY TRUST
(A company limited by guarantee)

CONTENTS

	Page
Reference and administrative details	1 - 2
Trustees' report	3 - 12
Governance statement	13 - 16
Statement on regularity, propriety and compliance	17
Statement of Trustees' responsibilities	18
Independent auditors' report on the financial statements	19 - 20
Independent auditors' assurance report on regularity	21 - 22
Statement of financial activities incorporating income and expenditure account	23
Balance sheet	24
Statement of cash flows	25
Notes to the financial statements	26 - 47

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members

Mrs J A H Lait (resigned 4 January 2017)
Mrs T Masters (resigned 4 January 2017)
Mrs S M Schlesinger
Mr I Potter (appointed 11 December 2016)
Mr D Cooper (appointed 11 December 2016)

Trustees

Mr D J Cooper²
Mr I Potter, Chair of Trustees (from 10 October 2016)¹
Mrs T Masters (resigned 7 October 2016)¹
Mrs S M Schlesinger (resigned 27 September 2016)¹
Mr N Wilson (resigned 27 September 2016)²
Mrs A Cockerham, Executive Principal (retired 31 August 2016)
Mrs J A H Lait, Chair of Trustees (resigned 10 October 2016)
Mrs N L Stuart¹
Mr A D Gray, Director of Finance¹
Mr T Hulme, Chief Executive (appointed 1 September 2016)
Mrs H Russell (appointed 10 November 2016)
Mrs N H Podd (appointed 10 November 2016)
Mrs P Gasson (appointed 5 April 2017)

¹ Member of the Finance & Personnel Committee

² Member of the Audit, Risk and Governance Committee

Company registered number

08177657

Company name

Rye Academy Trust

Principal and registered office

The Grove, Rye, East Sussex, TN31 7NQ

Company secretary

Mr B S Thomson

Chief executive officer

Mrs A Cockerham (until 31 August 2016)
Mr T Hulme (from 1 September 2016)

Senior management team

Mr T Hulme, Chief Executive (from 1 September 2016)
Mrs A Cockerham, Executive Principal (retired 31 August 2016)
Mr A D Gray, Director of Finance
Mr B S Thomson, Director of Estates

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Advisers (continued)

Independent auditors

Whitley Stimpson Limited, Penrose House, 67 Hightown Road, Banbury, Oxfordshire, OX16 9BE

Bankers

Lloyds Bank Plc, 17 Wellington Place, Hastings, East Sussex, TN34 1NX

Solicitors

Clark Holt, Commercial Solicitors, Hardwick House, Prospect Place, Swindon, SN1 3LJ

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period from 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a Trustees' report and a Directors' report under company law.

The Rye Academy Trust is a Multi-Academy Trust operating two converter academies and a studio school established by the Trust, on the border of East Sussex with Kent.

- Rye Community Primary School was opened in 2008 and has become a popular choice for families in the wider Rye area. In 2015 it absorbed the Pugwash Nursery and now accommodates children from 2 to 11 years of age. The school expanded from 1.5 to 2 forms of entry in 2015-16 and a building extension funded by the Local Authority is due for completion by the end of 2016. The school became a converter academy in March 2015, joining the Rye Academy Trust. The school was judged by Ofsted to be a Good school in 2012.
- Rye College is an 11-16 mixed comprehensive school, serving a wide rural area from Hastings into Kent. It has 640 students on roll. It is well regarded for its arts provision. It became a converter academy in 2012. In 2013 Ofsted judged the College to be a Good school.
- Rye Studio School for the Creative Industries (an academy and a Free School) is the only Studio School in the South East and prepares 14-19 year olds for careers within the creative industries. Rye Studio School recruits from a number of coastal towns where levels of youth unemployment is high. In 2015-16, the school recruited 118 students, including 12 places on its Level 4 Foundation Diploma programme.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Trust.

During the period covered by this report, the Rye Academy Trust Board was reviewing the Articles of Association against the latest DfE model document dated February 2016.

The Trustees of Rye Academy Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as the Rye Academy Trust ('RAT').

The details of the Trustees who served throughout the period and to the date of this report 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.

The details above on members' liability can be found in the Trust's memorandum and articles of association.

Trustees' Indemnities

The Trustees benefit from indemnity insurance purchased by the Academy Trust to cover the liability of the Trustees arising from negligent acts, errors or commissions occurring whilst on Trust business. The limit of this indemnity is £5,000,000.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Method of Recruitment and Appointment or Election of Trustees

The Trust's current articles specify that the Board of Trustees may include:

- up to 15 Trustees;
- any Staff Trustees;
- a minimum of two Parent Trustees, unless at least two parents are elected as members of each of the local governing bodies;
- the Principals or the Chief Executive Officer;
- any additional Trustees;
- any further Trustees; and
- up to two Trustees, if appointed by the Secretary of State in accordance with the terms of any of the Relevant Funding Agreements following the provision of a notice by the Company to terminate that Relevant Funding Agreement.

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

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

Policies and Procedures Adopted for the Induction and Training of Trustees

New Trustees are recruited and appointed on the basis of an audit of the skills, experience and diversity the Board requires. The training and induction provided for new Trustees will depend upon their existing experience but will always include a tour of the Trust's schools and a chance to meet staff and pupils. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents they will need to undertake their role. As there are few new Trustee appointments each year, induction tends to be done informally and is tailored to the individual. Advantage is taken of specific courses offered by various external organisations as appropriate.

Trustees have the opportunity to undertake National Governor Association training and receive National Governor Association updates.

Organisational Structure

The Board of Trustees met five times in the academic year.

The Board of Trustees is responsible for setting general policy, providing a strategic framework for the Rye Educational Quarter, setting and monitoring budgets, approving significant capital expenditure, approving the annual statutory accounts, monitoring safeguarding and health & safety performance and appointing senior members of staff. The Board is responsible for the overall framework for the governance of the Trust and determines membership, terms of reference and procedures of committees of the Board and other working groups. It receives reports including policies from its committees for ratification. It monitors the activities of committees through the minutes of their meetings and through direct reporting from the elected chair of each committee. In addition to its committees, the Board of Trustees may from time to time establish working groups to perform specific tasks over a limited timescale.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

During the period covered by this report, the following committees were operated by the Board of Trustees with terms of reference and delegated powers agreed by the Board:

- Finance and Personnel Committee (including Equalities);
- Audit, Risk and Governance Committee;
- Education Committee;
- Pay Committee;
- Health & Safety Committee;
- Appeals Committee;
- Executive Principal's Performance Management Committee;
- Rye Community Primary School Learning & Teaching Board;
- Rye College Learning & Teaching Board; and
- Rye Studio Learning & Teaching Board.

The following decisions are not delegated and are reserved to the full Board of Trustees:

- to consider any proposals for changes to the status or constitution of the Trust and its committee structure;
- to appoint or remove the Chair and/or Vice Chair;
- to appoint and / or consider the performance management of the Executive Principal / Chief Executive;
- to approve admission arrangements to the Trust's academies;
- to approve the trust's policy on charging & remission of fees;
- to approve the annual budget for the Trust; and
- to approve the Trustees' annual report and financial statements.

The Board of Trustees have devolved the day-to-day management of the Rye Academy Trust to the Executive Team which comprises the Executive Principal, the Director of Estates and the Director of Finance.

During the period covered by this report, the Executive Principal, who was also the Trust's Accounting Officer, reported to the Chair of Trustees and directly managed the Heads of the Trust's schools, the Director of Estates and the Director of Finance, providing leadership and taking managerial responsibility for all operational matters. From 1 September 2016, on the retirement of the Executive Principal, this role has passed to the newly appointed Chief Executive.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Trustees consider the Executive Team, comprising Executive Principal / Chief Executive, the Director of Estates and the Director of Finance, to comprise the key management personnel of the Trust in charge of directing and controlling, running and operating the Trust's schools on a day-to-day basis. The pay of the Executive Team are reviewed annually by the Pay Committee in line with the Trust's pay and remuneration policy and by reference to published pay scales for both teaching and support staff and benchmarking.

Related Parties and Other Connected Charities and Organisations

There are no related parties or other connected charities and organisations which either control or significantly influence the decisions and operations of Rye Academy Trust.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

OBJECTIVES AND ACTIVITIES

Objects and Aims

The principal objects of the Academy Trust, as set out in its articles of association, are to:

- advance for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school (schools), offering a broad and balanced curriculum; and
- promote for the benefit of the inhabitants of Rye and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity, disablement, financial hardship or social and economic circumstances for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The strategic aims of the Academy Trust during the period covered by this report remained as identified in the three-year plan for 2015-2018 and were as follows:

- All of our schools aim to be judged outstanding by Ofsted.
- All of our schools are fully subscribed.
- All of our learners, including those who are disadvantaged, make better than expected progress.
- Each primary school child in the Rye area who is transferring to secondary school is "secondary ready".
- The quality of Rye College accommodation is transformed to provide an outstanding educational environment for its learners.
- Rye Studio expands its provision to include leisure and the visitor economy.
- The Trust attracts more schools in order to achieve an eventual target of 3,000 learners.

Within the above the key priorities for the year ended 31 August 2016 were contained in the Academy Trust's Development Plan the current version of which is available from the Chief Executive.

Objectives, Strategies and Activities

The key activities of the Academy Trust for the year ended 31 August 2016 were focused as follows:

- To ensure that EYFS, KS1 and KS2 outcomes for children at Rye Community Primary School in 2016 were in line with national averages;
- To ensure that KS4 outcomes for Rye College in 2016 were significantly improved (+10%) in relation to 2015 outcomes;
- To ensure that KS4 Maths and English outcomes for Rye Studio in 2016 were significantly improved (+20%) in relation to 2015 outcomes;
- To plan for the more cost effective delivery of provision at Rye Studio;
- To further improve recruitment across all schools for September 2016;
- To make compelling bids to the EFA's Condition Improvement Fund in order to address essential maintenance and repairs at Rye College.

Achievements against these activities are set out in Achievements and Performance below.

Public Benefit

The Academy Trust aims to advance for the public benefit education in Rye and the surrounding area, offering a broad curriculum and an excellent education environment for its pupils. The Academy Trust also allows use of its facilities for recreational and other leisure time occupation for the community at large in the interests of social welfare and with the interest of improving the life of that community.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

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

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

The Academy Trust is in its fourth year of operation since conversion to an Academy Trust. The total number of pupils in the year ended 31 August 2016 was 1,121, but this has increased to 1,140 at the October 2016 census due to the continued demand for places at the Academy Trust.

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

The particular achievements and performance of the Academy Trust during the year ended 31 August 2016 were as follows:

- Rye Community Primary School saw a significant increase of 21% in Phonics to achieve 83% of pupils making expected progress compared to a national average of 81%. Whilst improvements have been made in other areas, other measures at KS1 and at KS2 remain below the national averages.
- Rye College saw an improvement of 19% to 56% in the number of learners attaining 5+ A*- C with English and Maths. The college's Progress 8 score improved from -0.8 in December 2015 to -0.18 in August 2016 as a consequence of targeted intervention. This achievement was particularly challenging because only 70% of the cohort was following an Attainment 8 pathway.
- Rye Studio improved the number of learners attaining 5+A*- C with English and Maths by 30% over 2015 and achieved a 100% pass rate at A level, including 23% at A* or A grades and a 100% pass rate in BTEC Level 3 programmes including 47% Distinction * or Distinction.
- Following a review of Rye Studio operations, the Trust has implemented a range of cost saving measures to take effect from September 2016.
- For September 2016, marketing of the Trust's schools sustained the increase in numbers at RCPS above PAN; Rye College intake to year 7 saw an increase over 2015 although numbers remain slightly below PAN. Regrettably, Rye Studio numbers remained well below PAN.
- A bid to the EFA's 2016 Condition Improvement Fund for year 3 of the programmed refurbishment of Rye College's electrical systems was successful; a bid for replacement of life-expired metal frame windows did not succeed. A major condition survey of the Rye College buildings and feasibility study for their rebuilding was completed and launched to stakeholders.

Key Performance Indicators

Although the Academy Trust's Funding Agreement is not subject to a specific carry forward limit on the amount of GAG funding, the main financial performance indicator is the level of reserves held at the balance sheet date and, in particular, the amount of GAG funding carried forward at the balance sheet date. At 31 August 2016, the balance of the GAG Restricted Fund was a deficit of £305,386. Further details on the level of reserves held by the Academy Trust are set out in the Reserves Policy section below.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

As the majority of the Academy Trust's funding is based on pupil numbers, pupil numbers is also a key performance indicator. As noted earlier in this report, pupil numbers at the most recent census were 1,140 which was an increase of 19 from the previous census.

Staffing costs are another key performance indicator for the Academy Trust and the percentage of total staff costs to GAG funding for the year was 104% (2015: 92%), the percentage of total staff costs to total income (excluding capital grants) was 89% (2015: 76%), and the percentage of total staff costs to total costs (excluding depreciation) was 79% (2015: 75%). All of these ratios have increased significantly during the year and are all considerably above sector benchmarks of staffing costs, and as such are unsustainable going forward.

Going Concern

The Trust has generated an overall deficit for the year of £800,284 (excluding capital grants and depreciation charges), which has given rise to an overall deficit of funds at 31 August 2016 of £297,994. The Trust is also projecting that operating deficits will be incurred during the year ending 31 August 2017 and also for the next 3 years after this. Based on these operational projections together with cash flow projections for this period, the Trustees do not consider the Trust to be financially viable in its current operational form and as such, there are significant risks surrounding the on-going financial situation and long-term sustainability of the Trust.

The Trustees are continuing to review the Trust's financial position and operational form and are in ongoing communication with the EFA, following the submission of an initial recovery plan to the EFA in December 2016 and a revised recovery plan in January 2017. The EFA have been very supportive in working with the Trustees in reviewing and further developing the recovery plans and there has been, at this time, no indication that funding to the Trust through the GAG funding will be withheld.

The recovery plan submitted to the EFA is based on a transformational change for the Trust, covering changes to staffing structures and related costs, other cost efficiencies and savings, all of which are aimed at improving learner outcomes, and proposals in relation to the current Pupil Number Adjustment (PNA) payments due to the EFA. The recovery plan also incorporates the establishment of a learner-led approach to the curriculum delivery across the Trust, a restructuring of the Trust's studio school provision and the implementation of a more effective and agile senior leadership and governance structure across the Trust.

The Executive Team and the Trustees have already commenced work on various aspects and strategies set out within the recovery plan, in conjunction with the continuing communications with the EFA. However, the main issue facing the Academy Trust in the immediate future is maintenance of positive cashflow and that is being reviewed and reported to the EFA on a monthly basis. The EFA have provided interim cash flow support funding and have agreed further conditional funding to support some of the restructuring plans set out in the recovery plan.

After taking into account the above, the Board of Trustees, including its Committees, has a reasonable expectation that the Academy Trust will have adequate resources to continue in operational existence for the foreseeable future. Any additional requirements of the EFA will be included within the Trust's recovery plan and current and future budgets. For this reason, the Trust continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies within the financial statements.

FINANCIAL REVIEW

The majority of the Academy Trust's income is received from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2016 and the associated expenditure of these grants are shown as Restricted Funds in the Statement of Financial Activities.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

The Academy Trust also receives grants for fixed assets from the EFA and other organisations and funders and these are shown as Restricted Fixed Asset Funds in the Statement of Financial Activities. The balance of the Restricted Fixed Asset fund is reduced by the depreciation charges on the assets acquired using these funds.

During the year ended 31 August 2016, the total expenditure (excluding depreciation) of £7,106,273 was in excess of the recurrent grant funding received from the EFA and other incoming resources of £6,305,989. The excess of this expenditure over incoming resources for the year was £800,284. This deficit includes a £342,028 PNA for Rye Studio School for the 2015-16 year, arising from actual pupil numbers being significantly less than estimated. There has also been a small amount of much needed investment in the Trust's facilities and educational resources. The deficit also includes increased staff-related costs incurred during the year from national insurance and pension increases, together with additional staff to improve academic results and additional costs arising from sickness and absence, which has fully absorbed the Trust's reserves.

The net book value of fixed assets at 31 August 2016 was £20,039,195 which includes additions during the year of £152,642 and depreciation charges for the period of £469,072. The fixed assets held by the Academy Trust are used exclusively for providing education and associated support services to the pupils of the Trust.

The balance of total funds held at 31 August 2016 were £18,404,225 which comprised of the following:

Restricted Funds (excluding Pension Liability)	(£305,386)
Restricted Pension Liability Fund	(£1,493,000)
Restricted Fixed Asset Fund	£20,195,219
Unrestricted Funds	£7,392

Included within the Trust's balance sheet at year-end is a defined benefit pension scheme liability of £1,493,000 (2015: £727,000), which arises from the deficit in the Local Government Pension Scheme ("LGPS") that is attributable to the Trust. The Trust is not currently required to make accelerated payments to meet this liability but, were arrangements to change, the Trust would have difficulty in making such payments without significantly impacting its ability to continue to deliver its educational outcomes with the available public funding it receives. The Trustees have noted however that the Government has provided a guarantee that, in the event of a Trust closure, any outstanding LGPS liabilities would be met by the Department for Education.

The key financial policies reviewed and adopted during the period included the Financial Procedures Policies and Manual, which lays out the framework for the Trust's financial management, including financial responsibilities of the Board of Trustees, Executive Principal, Headteachers, managers, budget holders and other staff, as well as the delegated authorities for spending. The other financial policies reviewed and adopted during the period included Charges and Lettings, Asset Management and Insurance.

The Trustees acknowledge that the overall financial performance of the Trust during the 2015-16 year is unsustainable and the financial position it finds itself in at 31 August 2016 is extremely difficult. As detailed above in the Going Concern section, the Trustees have submitted a recovery plan to the EFA and are continuing to work with the EFA in putting this recovery plan in place and securing a viable future for the Trust.

Reserves Policy

The Trustees review the reserve levels of the Academy Trust annually. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees also take into consideration the future plans of the Trust, the uncertainty over future income streams and other key risks identified during the risk review.

The Trustees have determined that the appropriate level of free cash reserves should be approximately 2-3 months of operational costs. The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance, long term staff absences etc.

THE RYF ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

The Trust's level of reserves at 31 August 2016 was £18,404,225 of which only £7,392 was free reserves (that is, total funds less the amount held in fixed assets and restricted funds). There is also a deficit of restricted funds of £305,386 at 31 August 2016. Although the current level of free reserves is significantly below the target level identified above, as detailed above, the Trustees have submitted a recovery plan to the EFA aimed at returning the Trust to operational surplus which would eventually enable the targeted reserves to be achieved.

Investment Policy

All funds surplus to immediate requirements are invested to optimal effect by the Academy Trust with the objective of ensuring maximum return on assets invested but with minimal risk. On a daily basis this is achieved by automatic transfer of surplus funds to an overnight deposit account with the Trust's principal bankers. Where cash flow allows, sums in excess of £20,000 may be invested on deposit with the Trust's principal bankers or other reputable financial institutions.

Principal Risks and Uncertainties

The Rye Academy Trust takes the identification and control of risks very seriously and have assessed the major risks to which the Trust is exposed, primarily in respect of student numbers and funding but also in operational areas, such as teaching, health & safety, safeguarding and school trips, and in relation to the control of finances.

The Trust has introduced systems, including operational procedures and internal financial controls in order to minimise risk and have agreed a Risk Management Strategy, developing a strategic Risk Register where each risk is scored in terms of both its potential severity and how likely it is to occur. These two scores are then multiplied together to give an overall score for each risk. The identified risks are then ranked into High, Medium and Lower risk categories. Each of the High risks is reviewed by the Audit, Risk and Governance Committee and appropriate countermeasures to mitigate each is identified. These are incorporated into improvement plans for implementation. Where significant financial risk still remains, the Trustees ensure the Academy Trust has adequate insurance cover in place. The Risk Register is kept under review and formally reviewed at each Audit, Risk and Governance Committee meeting.

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

Financial

The Academy Trust is reliant on continued Government funding through the EFA, which follows student numbers. In the period, approximately 96% of the Academy Trust's incoming resources was ultimately Government funded and whilst this level is expected to continue, there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Trust's current financial position is also extremely difficult and as detailed in the Going Concern and Financial Review sections above, is the subject of a recovery plan submitted to the EFA for the 2016-17 and future years, and communications with the EFA regarding the recovery plan are ongoing.

Failures in governance and/or management

During the period covered by this report, the Trustees had identified certain costs in excess of sector benchmarks, due only in part due to the small size of the Trust, and had appointed a CEO to take up post on 1st September 2016 following the retirement of the Executive Principal, tasked with undertaking a complete organisational review aimed at securing the long-term sustainability of education in Rye.

A review of the financial position in the autumn of 2016 led to significant changes in membership of the Board of Trustees and the submission of a recovery plan to the EFA as referred to elsewhere in this report. The Board of Trustees is currently meeting monthly to provide active oversight of this change programme and consequent restructuring.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Reputational

The continuing success of the Academy Trust is dependent on continuing to attract students in sufficient numbers by maintaining the highest educational standards. To mitigate this risk, the Trustees ensure that pupil success and achievement are closely monitored and reviewed.

Safeguarding and child protection

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

Staffing

The success of the Academy Trust is reliant on the quality of its staff so the Trustees monitor and review policies and procedures to ensure the continued recruitment, development and training of staff as well as ensuring there is clear succession planning.

Fraud and mismanagement of funds

The Academy Trust has engaged Whitley Stimpson, the external auditor, to perform a programme of work aimed at checking and reviewing the financial systems and records as required by the Academies Financial Handbook. All finance staff receive training to keep them up to date with financial practice requirements and to develop their skills in this area.

During the period covered by this report the Trustees examined the financial health of the Trust formally every term, through meetings of the Finance & Personnel Committee and reports to the full Trust Board, although at times there was a lack of transparency provided around the Trust's financial position.

At the balance sheet date, the Academy Trust had no significant liabilities arising from trade creditors or debtors where there would be a significant effect on the Trust's liquidity, other than in relation to the PNA adjustment funds payable to the EFA, which at 31 August 2016, amounted to £573,826.

The Trustees recognise that the Local Government Pension Scheme deficit represents a significant potential liability to the Academy Trust. However, as the Trustees consider the Trust is able to meet its known annual contribution commitments for the foreseeable future, the risk from this liability is minimised.

PLANS FOR FUTURE PERIODS

The Academy Trust strives to continually improve levels of attainment for all pupils in its schools equipping them with the qualifications, skills and character to follow their chosen pathway, whether it be into further and higher education or employment, as well as promoting the continued professional development of its staff.

The Academy Trust's plans for future periods, outlined below, are based upon the recovery plan to address the Trust's financial position, submitted to the EFA in December 2016 and subsequently revised in January 2017.

The recovery plan requires a programme of transformational change incorporating:

- Finance: acceptance by the EFA of the Trust's recovery plan for the the PNA clawback and deliver a balanced budget for 2017-18 ensuring that all financial decisions are focused on learner outcomes – 'every penny counts'. Delivery of the recovery plan is contingent on an organisational re-structure to focus resources on curriculum delivery and improving learner outcomes. This includes a business process review of central support functions, a review of all expenditure and efficiency gains.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

- Curriculum: establishing a learner-led approach to the curriculum across the Trust to improve the student experience. Set aspirational targets for all learner performance measures of progress and outcomes across all key stages and for attendance. Drive rapid improvement in the quality of teaching and learning, with a particular focus on closing the gap for disadvantaged learners.
- Marketing and retention: further develop the Trust's strategies for student recruitment to the Trust's schools and retention across 2-19 and recruitment and retention of high-quality staff.
- Rye College Rebuild: To continue to press for the new build of Rye College, providing facilities that will better support learning in the 21st century.
- Rye Studio: bring forward proposals to amalgamate delivery of the Rye Studio curriculum offer with that of Rye College, closing Rye Studio as a legal entity whilst preserving the Rye Studio brand. This would allow the development of increased vocational pathway offers at KS4 and a review of the curriculum offer at Key Stage 5.
- Leadership & management: ensure agile and effective governance, leadership and accountability across the Trust to enable rapid intervention and improvement for learners, through-school collaboration across the campus and a culture of non-acceptance of mediocrity in all areas.
- Rye Academy Trust: continue to explore potential partnership arrangements with other trusts in order to build the capacity to further accelerate improvements across all of our schools.

FUNDS HELD AS CUSTODIAN

The Academy Trust and its Trustees do not act as Custodian Trustees of any other charity.

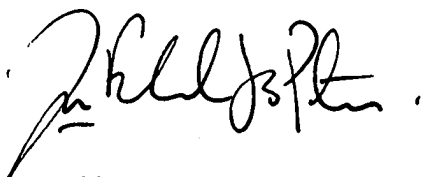
The Academy does however hold Post-16 Bursary Funds on behalf of the Education Funding Agency, which are distributed to students as required and in line with the terms and conditions of the funds, and Education Improvement Partnership funds on behalf of East Sussex County Council, which are distributed to local schools in line with the terms and conditions of the funds.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

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

This report was approved by order of the Board of Trustees as the company directors, on 7 April 2017 and signed on its behalf by:



Mr I Potter
Chair of Trustees

THE RYE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

For the period covered by this report, the Board of Trustees delegated the day-to-day responsibility to the Executive Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Rye Academy Trust and the Secretary of State for Education. The Accounting Officer (now the Chief Executive) is also responsible for reporting to the Board of Trustees, including all committees, any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. During the period covered by this report for the year ending 31 August 2016, the Board of Trustees met 5 times. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr D J Cooper	5	5
Mr I Potter	4	5
Mrs T Masters	4	5
Mrs S M Schlesinger	5	5
Mr N Wilson	0	5
Mrs A Cockerham	5	5
Mrs J A H Lait	4	5
Mrs N L Stuart	5	5
Mr A D Gray	5	5

Mr N Wilson was absent throughout the year through ill health.

As indicated elsewhere in this report, the Board has subsequently begun a review of the effectiveness and accountability of the corporate governance structure to ensure it is fit for purpose in supporting rapid intervention and improvement for learners. The review takes in the remit of the Board and its committees and the allocation of responsibilities to Board members who will have portfolio responsibilities according to their skill sets. As such, subsequent to the year end, a number of changes in Trustees took place which are as detailed in Reference and Administrative Details on page 1.

The Finance and Personnel Committee is a sub-committee of the main Board of Trustees. Its purpose is to provide oversight, guidance and assistance to the Board of Trustees on all matters related to strategic finance of the Trust. This includes preparing and approving annual budgets, monitoring financial performance against that budget, reviewing delegated authorities, ensuring all transactions are conducted in accordance with good practice as directed by the EFA, to ensure best value is achieved in all financial transactions.

At the start of the period covered by this report, the Trust had a separate Audit Committee which was also a committee of the Board of Trustees. Following the December 2015 audit closing meeting, it was agreed to review the terms of reference of the committee as a result of which now encompasses audit, risk and governance. The function of this committee is to maintain an oversight of the Trust's governance, risk management, internal control and value for money framework. It receives and (where relevant) responds to internal audit reports on the Trust and its use of public funds. It reports its findings to the Board of Trustees and the Accounting Officer as a critical element of the Trust's reporting requirements.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

During the period covered by this report, attendance at meetings of the Finance and Personnel Committee was as follows:

Trustee	Meetings attended	Out of a possible
Mrs A Cockerham	5	5
Mr A D Gray	5	5
Mrs T Masters	5	5
Mr I Potter	2	5
Mrs S M Schlesinger	4	5
Mrs N L Stuart	5	5

During the current governance review, finance and personnel matters are being considered at full meetings of the Trust Board.

During the period covered by this report, attendance at meetings of the Audit, Risk and Governance Committee was as follows:

Trustee	Meetings attended	Out of a possible
Mr D J Cooper	2	2
Mr N Wilson	0	2
Mrs A E Ledgeway	1	2

Mrs A E Ledgeway is a co-opted member of the Audit, Risk and Governance Committee.

Mr N Wilson was absent throughout the year through ill health.

REVIEW OF VALUE FOR MONEY

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

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

The Chief Executive was appointed on 1 September 2016 and took up the position of the Trust's Accounting Officer on that date. The Accounting Officer's consideration of value for money for the 2015-16 year has been particularly important given the overall financial performance of the Trust for the year.

As detailed earlier in this report, there is a need for a programme of transformational change at the Trust so as to deliver sustained improvement in educational outcomes and the financial stability of the Trust into the future. This programme, which is incorporated into the recovery plan submitted to the EFA, is described in more detail in Plans for Future Periods earlier in this report. The Accounting Officer is confident that through this recovery plan, and with the ongoing support from the EFA as part of the recovery plan, that improved value for money outcomes will be able to be generated in future years.

In considering value for money for the 2015-16 year however, the Accounting Officer is able to report that the Trust did deliver value for money in certain areas by:

- The Trust's investment in a range of targeted interventions commissioned through external expert school improvement support to drive up standards of teaching and learning resulted in significant improvements for 2016 Phonics scores at Rye Community Primary School and in KS4 outcomes at both Rye College and Rye Studio.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

- Strengthening leadership and governance to achieve greater collaboration between its schools, in 2015-16 the Trust made better use of limited resources. Through improved deployment of teachers across Rye College and Rye Studio the Trust was able to design a more cost effective curriculum which also delivered significantly improved outcomes for learners of both schools at KS4 and KS5 in 2016, most notably through very significantly improved KS4 English and Maths outcomes at Rye Studio.
- Continuing to deliver initiatives for the rationalisation of premises use, procurement and staff allocations across the Trust and its schools.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Rye Academy Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

THE RISK AND CONTROL FRAMEWORK

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

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

Following the appointment of the Chief Executive from 1 September 2016, certain areas of weakness within the internal financial control framework detailed above have been identified. The Executive Team and the Trustees are taking steps to further improve the operation and management of internal financial controls systems throughout the Trust and in particular, the transparency of the reporting of the Trust's financial performance and position. The Board of Trustees are now reviewing the Trust's financial performance on a monthly basis, as well as reporting this to the EFA on a monthly basis as part of the ongoing communications with the EFA regarding the Trust's recovery plan.

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint Whitley Stimpson Limited, the external auditors, to provide additional checks.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

The auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On an annual basis, the auditor reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The checks carried out in the current year included:

- review of and testing of income recognition and recording systems and procedures
- review of and testing of payroll systems and procedures
- review of and testing of procurement systems and procedures
- review of and testing of bank control procedures
- review of management information preparation, including information prepared for and presented to the Board of Trustees

Whitley Stimpson has delivered the schedule of work as planned and whilst there were no material control issues arising as a result of their work, there were some areas identified which the Executive Team are now in the place of implementing as part of the further improvement in the operation and management of internal financial controls systems as detailed above.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Chief Executive 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 auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit, Risk and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 7 April 2017 and signed on their behalf, by:



Mr I Potter
Chair of Trustees



Mr T Hulme
Accounting Officer

THE RYE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Rye Academy Trust I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

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 2015.

Since my appointment as Accounting Officer on 1 September 2016, weaknesses in financial management, oversight and governance have become apparent, which have contributed to the unsatisfactory financial performance of the Trust during the 2015-16 year and the very difficult financial position the Trust now finds itself in.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Board of Trustees and EFA. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and EFA:

- **Financial management, oversight and governance:** The Academies Financial Handbook 2015 requires that regular management information should be prepared and provided to the Board of Trustees. Whilst management information, including management accounts and cash flow forecasts, were prepared during the 2015-16 year, there was a lack of financial oversight undertaken by the Trust's Finance and Personnel Committee during the year and lack of transparency over the Trust's financial performance and position as a result.



Mr T Hulme
Accounting Officer

Date: 7 April 2017

THE RYE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees 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 Trustees are required to:

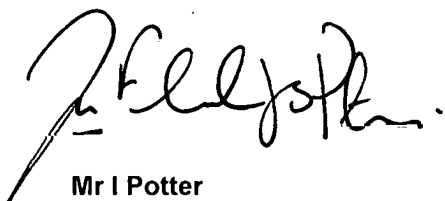
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 Trustees 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 Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFADfE have been applied for the purposes intended.

The Trustees 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 Trustees on 7 April 2017 and signed on its behalf by:



Mr I Potter
Chair of Trustees

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
RYE ACADEMY TRUST**

We have audited the financial statements of The Rye Academy Trust for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 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 2015 to 2016 issued by the Education Funding Agency.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
RYE ACADEMY TRUST**

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the statement of accounting policies in note 1 to the financial statements concerning the charitable company's ability to continue as a going concern. As explained in the Trustees' report and note 1 to the financial statements, the Trustees are forecasting deficits for the Trust for the foreseeable future and as such are reliant on the continuing financial support of the EFA whilst communications with the EFA over the Trust's recovery plans are ongoing. This therefore indicates the existence of a material uncertainty which casts significant doubt on the charitable company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the charitable company was unable to continue as a going concern.

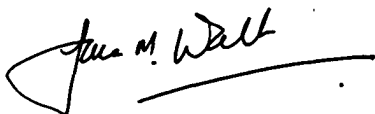
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Jonathan Mark Walton ACA FCCA (Senior Statutory Auditor)

for and on behalf of

Whitley Stimpson Limited

Chartered Accountants and Advisors

Penrose House
67 Hightown Road
Banbury
Oxfordshire
OX16 9BE

7 April 2017

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE RYE
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 18 October 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Rye Academy Trust during the year 1 September 2015 to 31 August 2016 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 The Rye Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Rye Academy Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Rye Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE RYE ACADEMY TRUST'S AND THE REPORTING AUDITORS

The is responsible, under the requirements of The Rye Academy Trust's funding agreement with the Secretary of State for Education dated 1 September 2012, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions included:

- A review of internal control policies and procedures implemented by the Academy Trust and an evaluation of their design and effectiveness to understand how the Academy Trust has complied with the framework of authorities;
- A review of the minutes of meetings of the Trustees, relevant sub-committees and other evidence made available to us, relevant to our consideration of regularity;

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE RYE
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

- Enquiries of the Accounting Officer, including a review of the work undertaken by the Accounting Officer in relation to their Statement on Regularity, Propriety and Compliance; and
- Detailed testing of the income and expenditure of the Academy Trust based on our assessment of the risk of material irregularity, impropriety and non-compliance. This work was integrated with our audit of the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

CONCLUSION

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- **Financial management, oversight and governance:** The Academies Financial Handbook 2015 requires that regular management information should be prepared and provided to the Board of Trustees. Whilst management information, including management accounts and cash flow forecasts, were prepared during the 2015-16 year, there was a lack of financial oversight undertaken by the Trust's Finance and Personnel Committee during the year and lack of transparency over the Trust's financial performance and position as a result.



Jonathan Mark Walton ACA FCCA (Reporting Accountant)

for and on behalf of

Whitley Stimpson Limited

Chartered Accountants and Advisors

Penrose House
67 Hightown Road
Banbury
Oxfordshire
OX16 9BE

7 April 2017

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

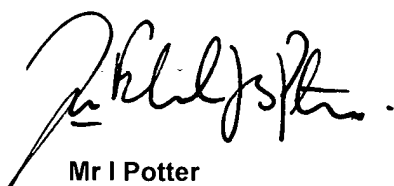
	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
INCOME FROM:						
Donations and capital grants	2	19,166	20,175	186,228	225,569	6,003,494
Charitable activities	3	35,473	5,981,558	-	6,017,031	5,712,070
Other trading activities	4	248,559	-	-	248,559	235,357
Investments	5	1,058	-	-	1,058	790
TOTAL INCOME		304,256	6,001,733	186,228	6,492,217	11,951,711
EXPENDITURE ON:						
Charitable activities		214,004	6,892,269	469,071	7,575,344	6,620,903
Other expenditure		-	-	-	-	242,000
TOTAL EXPENDITURE	6	214,004	6,892,269	469,071	7,575,344	6,862,903
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	17	90,252 (462,637)	(890,536) 462,637	(282,843) -	(1,083,127) -	5,088,808 -
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(372,385)	(427,899)	(282,843)	(1,083,127)	5,088,808
Actuarial gains/(losses) on defined benefit pension schemes	22	-	(702,000)	-	(702,000)	19,000
NET MOVEMENT IN FUNDS		(372,385)	(1,129,899)	(282,843)	(1,785,127)	5,107,808
RECONCILIATION OF FUNDS:						
Total funds brought forward		379,777	(668,487)	20,478,062	20,189,352	15,081,544
TOTAL FUNDS CARRIED FORWARD		7,392	(1,798,386)	20,195,219	18,404,225	20,189,352

THE RYE ACADEMY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08177657

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	14		20,039,195		20,355,625
CURRENT ASSETS					
Debtors	15	163,414		414,493	
Cash at bank and in hand		680,005		936,224	
		<u>843,419</u>		<u>1,350,717</u>	
CREDITORS: amounts falling due within one year	16	<u>(985,389)</u>		<u>(789,990)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(141,970)</u>		<u>560,727</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>19,897,225</u>		<u>20,916,352</u>
Defined benefit pension scheme liability	22	(1,493,000)		(727,000)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>18,404,225</u></u>		<u><u>20,189,352</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	17	(305,386)		58,513	
Restricted fixed asset funds	17	20,195,219		20,478,062	
Restricted income funds excluding pension liability		<u>19,889,833</u>		<u>20,536,575</u>	
Pension reserve		<u>(1,493,000)</u>		<u>(727,000)</u>	
Total restricted income funds			<u>18,396,833</u>		<u>19,809,575</u>
Unrestricted income funds	17		<u>7,392</u>		<u>379,777</u>
TOTAL FUNDS			<u><u>18,404,225</u></u>		<u><u>20,189,352</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 7 April 2017 and are signed on their behalf, by:



Mr I Potter
Chair of Trustees

The notes on pages 26 to 47 form part of these financial statements.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	19	<u>(290,863)</u>	<u>96,393</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,058	790
Purchase of tangible fixed assets		(152,642)	(123,930)
Capital grants from DfE/EFA		186,228	144,034
Cash transferred on conversion to an Academy Trust		-	219,527
Net cash provided by investing activities		<u>34,644</u>	<u>240,421</u>
Change in cash and cash equivalents in the year		(256,219)	336,814
Cash and cash equivalents brought forward		<u>936,224</u>	<u>599,410</u>
Cash and cash equivalents carried forward	20	<u><u>680,005</u></u>	<u><u>936,224</u></u>

THE RYE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

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

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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

The Rye Academy Trust constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of The Rye Academy Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of The Rye Academy Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 27.

Going concern

The Trustees 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 Academy Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements. Rye Academy Trust has generated a deficit during the year ended 31 August 2016 of £1,083,127, which has given rise to an overall deficit of funds at 31 August 2016 of £297,994. The Trust is also projecting that operating deficits will be incurred during the year ending 31 August 2017 and also for the next 3 years after this. Based on these operation projections together with cash flow projections for this period, the Trustees do not consider the Trust to be financially viable in its current operational form and as such, there are significant risks surrounding the on-going financial situation and long-term sustainability of the Trust. The Trustees are continuing to review the Trust's financial position and operational form and are in ongoing communication with the EFA, following the submission of a recovery plan to the EFA in January 2017, regarding an appropriate plan to ensure long-term viability and sustainability of the Trust. As part of the ongoing communications with the EFA, the EFA have provided the Trust with an advance of funds of £251,311 in February 2017 to cover immediate cash flow shortages, as well as providing further conditional financial support in relation to agreed restructuring costs. Given the ongoing work of the Trustees and the ongoing communications with the EFA around the recovery plan to secure the future viability of the Trust, together with the ongoing financial support of the EFA in the immediate term, the Trustees believe it is appropriate to prepare the financial statements on a going concern basis.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

Income

All income is recognised once the Academy Trust 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.

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where there is certainty of receipt and it is measurable.

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

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.

Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Academy Trust; this is normally upon notification of the interest paid or payable by the Bank.

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.

Charitable activities and Governance costs are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. ACCOUNTING POLICIES (continued)

Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency 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 and include grants from the Education Funding Agency.

Tangible fixed assets and depreciation

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. 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.

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.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold land	-	straightline over the period of the lease
Long-term leasehold property	-	2% straightline
Freehold property	-	2% straightline
Fixtures and fittings	-	10% straight line
Computer equipment	-	20% straight line

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.

Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. ACCOUNTING POLICIES (continued)

Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Liabilities and provisions

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

Financial instruments

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Taxation

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

Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, 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 RYE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

Pensions (continued)

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

There are no key judgements that the Academy Trust has made which have a significant effect on the financial statements.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. ACCOUNTING POLICIES (continued)

Agency arrangements

The Academy Trust acts as an agent in distributing the 16-19 bursary fund from the EFA. Payments received from the EFA and subsequent disbursement 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 Academy Trust also acts as an agent in distributing the Education Improvement Partnership grant from East Sussex County Council. Payments received from the Local Authority and subsequent disbursement to local schools are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 26 to the accounts.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations and capital grants	13,082	20,175	186,228	219,485	144,967
Assets inherited on conversion	-	-	-	-	5,848,527
Other income	6,084	-	-	6,084	10,000
	<u>19,166</u>	<u>20,175</u>	<u>186,228</u>	<u>225,569</u>	<u>6,003,494</u>

In 2015, of the total income from donations and capital grants, £230,795 was to unrestricted funds and £5,772,699 was to restricted funds

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General annual grant	-	5,415,709	5,415,709	5,076,225
Start up grant	-	-	-	151,368
Other DfE/EFA grants	-	435,084	435,084	378,380
	<u>-</u>	<u>5,850,793</u>	<u>5,850,793</u>	<u>5,605,973</u>
Other government grants				
Local Authority grants	-	124,354	124,354	21,827
	<u>-</u>	<u>124,354</u>	<u>124,354</u>	<u>21,827</u>
Other funding				
Other income	35,473	6,411	41,884	84,270
	<u>35,473</u>	<u>6,411</u>	<u>41,884</u>	<u>84,270</u>
	<u>35,473</u>	<u>5,981,558</u>	<u>6,017,031</u>	<u>5,712,070</u>

In 2015, of the total income from charitable activities, £82,110 was to unrestricted funds and £5,629,960 was to restricted funds.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Sale of goods and services	13,390	-	13,390	20,375
Lettings	8,875	-	8,875	9,334
Consultancy	31,995	-	31,995	73,806
Other income	50,306	-	50,306	55,805
Nursery income	143,993	-	143,993	76,037
	<u>248,559</u>	<u>-</u>	<u>248,559</u>	<u>235,357</u>

In 2015, of the total income from other trading activities, £235,357 was to unrestricted funds and £ NIL was to restricted funds.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

5. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Interest received	1,058	-	1,058	790

In 2015, of the total investment income, £ 790 was to unrestricted funds and £ NIL was to restricted funds.

6. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Activities:					
Direct costs	4,456,469	-	397,892	4,854,361	4,359,623
Support costs	1,177,883	511,598	1,031,502	2,720,983	2,261,279
	<u>5,634,352</u>	<u>511,598</u>	<u>1,429,394</u>	<u>7,575,344</u>	<u>6,620,902</u>

In 2016, of the total expenditure, £214,004 (2015 - £320,399) was to unrestricted funds and £7,361,340 (2015 - £6,300,503) was to restricted funds.

7. DIRECT COSTS

	Total 2016 £	Total 2015 £
Technology costs	7,770	19,063
Educational supplies	313,688	222,182
Other direct costs	76,434	348,855
Wages and salaries	3,612,329	3,104,752
National insurance	281,211	226,703
Pension cost	562,929	438,068
	<u>4,854,361</u>	<u>4,359,623</u>

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

8. SUPPORT COSTS

	Total 2016 £	<i>Total 2015 £</i>
LGPS FRS102 interest costs	28,000	22,000
Technology costs	88,471	98,730
Maintenance and support	156,998	152,741
Cleaning	29,487	13,595
Rent and rates	78,605	56,794
Light and heat	84,083	70,958
Insurance	101,364	87,198
Catering	57,104	31,502
Other support costs	426,887	459,828
Legal and professionals	23,029	2,889
Wages and salaries	962,016	749,742
National insurance	57,112	41,918
Pension cost	158,756	123,821
Depreciation	469,071	349,563
	<u>2,720,983</u>	<u>2,261,279</u>

Included within other support costs are governance costs totalling £42,876 (2015 - £43,413). This comprised of auditor's remuneration of £26,617 (2015 - £24,750) and other governance costs of £16,259 (2015 - £18,663).

9. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £	<i>2015 £</i>
Depreciation of tangible fixed assets:		
- owned by the charity	469,072	349,563
Auditors' remuneration - audit	8,000	9,000
Auditors' remuneration - assurance services	15,870	15,750
Auditors' remuneration - other services	2,747	36,195
Operating lease rentals	8,970	9,567
	<u>8,970</u>	<u>9,567</u>

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

10. STAFF COSTS

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	4,376,098	3,640,274
Social security costs	338,323	268,621
Operating costs of defined benefit pension schemes	721,685	561,889
	<u>5,436,106</u>	<u>4,470,784</u>
Supply teacher costs	198,246	118,592
Staff restructuring costs	-	95,628
	<u><u>5,634,352</u></u>	<u><u>4,685,004</u></u>

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

	2016 No.	2015 No.
Teachers	64	64
Administration and support	112	74
Management	12	5
	<u>188</u>	<u>143</u>

Average headcount expressed as a full time equivalent:

	2016 No.	2015 No.
Teachers	62	44
Administration and support	66	47
Management	10	8
	<u>138</u>	<u>99</u>

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

	2016 No.	2015 No.
In the band £60,001 - £70,000	2	2
In the band £70,001 - £80,000	1	0
In the band £90,001 - £100,000	1	1

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016 employer's pension contributions for these staff amounted to £44,719 (2015: £31,809).

Included in staff restructuring costs are staff severance payments totalling £nil (2015: £95,628).

THE RYE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

10. STAFF COSTS (continued)

The key management personnel of the Academy Trust comprise 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 £204,711 (2015 - £186,401).

11. CENTRAL SERVICES

The Academy Trust has provided the following central services to its academies during the year:

- Education leadership and management services
- Estates services
- Finance services
- Clerk to governors services
- HR advice and legal support services
- Audit services

The Academy Trust charges for these services on the following basis:

- a flat percentage charge of 4% on each schools General Annual Grant

The actual amounts charged during the year were as follows:

	2016 £	2015 £
Rye College	132,905	149,615
Rye Studio School	44,716	47,955
	<u>177,621</u>	<u>197,570</u>
Total		

12. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees 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 Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2016 £	2015 £
Mrs A Cockerham	Remuneration	95,000-100,000	90,000-95,000
	Pension contributions paid	15,000-20,000	10,000-15,000
Mr A D Gray	Remuneration	35,000-40,000	20,000-25,000
	Pension contributions paid	5,000-10,000	0-5,000

During the year, no Trustees received any reimbursement of expenses (2015 - £NIL).

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

13. TRUSTEES' 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 2016 was included in the total insurance cost.

14. TANGIBLE FIXED ASSETS

	Freehold property £	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 September 2015	2,161,543	18,275,522	261,629	483,521	21,182,215
Additions	-	124,574	10,652	17,416	152,642
At 31 August 2016	<u>2,161,543</u>	<u>18,400,096</u>	<u>272,281</u>	<u>500,937</u>	<u>21,334,857</u>
Depreciation					
At 1 September 2015	70,489	503,703	52,138	200,260	826,590
Charge for the year	42,306	296,140	27,079	103,547	469,072
At 31 August 2016	<u>112,795</u>	<u>799,843</u>	<u>79,217</u>	<u>303,807</u>	<u>1,295,662</u>
Net book value					
At 31 August 2016	<u>2,048,748</u>	<u>17,600,253</u>	<u>193,064</u>	<u>197,130</u>	<u>20,039,195</u>
At 31 August 2015	<u>2,091,054</u>	<u>17,771,819</u>	<u>209,491</u>	<u>283,261</u>	<u>20,355,625</u>

The long term lease property comprises the land and buildings of the individual academies within the Academy Trust which were transferred to the Trust on conversion from East Sussex County Council. The Trust occupies the land and buildings under a 125 year lease arrangement with the East Sussex County Council.

15. DEBTORS

	2016 £	2015 £
Trade debtors	15,701	20,750
VAT repayable	52,096	108,228
Other debtors	5,410	236,763
Prepayments and accrued income	90,207	48,752
	<u>163,414</u>	<u>414,493</u>

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

16. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	61,770	215,159
Other taxation and social security	98,436	88,533
EFA creditor: abatement of GAG	573,826	231,798
Other creditors	120,114	202,093
Accruals and deferred income	131,243	52,407
	985,389	789,990
	985,389	789,990
	2016 £	2015 £
Deferred income		
Deferred income at 1 September 2015	13,384	13,384
Resources deferred during the year	46,350	-
Amounts released from previous years	(13,384)	-
	46,350	13,384
	46,350	13,384

Deferred income relates to Universal Infant Free School Meals grants and rate relief funding. The amounts deferred will be fully unutilised in the year ending 31 August 2017.

17. STATEMENT OF FUNDS

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Carnival fund	7,740	-	(348)	-	-	7,392
Local Leaders in Education	18,840	-	(18,840)	-	-	-
Rye Alliance	14,724	-	(14,724)	-	-	-
Other	-	13,500	(13,500)	-	-	-
	41,304	13,500	(47,412)	-	-	7,392
	41,304	13,500	(47,412)	-	-	7,392
General funds						
General funds	338,473	290,756	(166,592)	(462,637)	-	-
Total Unrestricted funds	379,777	304,256	(214,004)	(462,637)	-	7,392
	379,777	304,256	(214,004)	(462,637)	-	7,392

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

17. STATEMENT OF FUNDS (continued)

Restricted funds

General Annual Grant	-	5,415,709	(6,126,618)	405,523	-	(305,386)
Start Up Grant	20,080	-	(20,080)	-	-	-
Pupil Premium	-	361,621	(418,735)	57,114	-	-
Other DfE grants	-	73,463	(73,463)	-	-	-
Other income	38,433	150,940	(189,373)	-	-	-
Pension reserve	(727,000)	-	(64,000)	-	(702,000)	(1,493,000)
	<u>(668,487)</u>	<u>6,001,733</u>	<u>(6,892,269)</u>	<u>462,637</u>	<u>(702,000)</u>	<u>(1,798,386)</u>

Restricted Fixed Asset funds

Transfer on conversion	17,640,398	-	(338,444)	-	-	17,301,954
DfE/EFA capital grants	2,652,350	186,228	(122,097)	-	-	2,716,481
Capital expenditure from GAG	178,077	-	(8,197)	-	-	169,880
Other	7,237	-	(333)	-	-	6,904
	<u>20,478,062</u>	<u>186,228</u>	<u>(469,071)</u>	<u>-</u>	<u>-</u>	<u>20,195,219</u>
Total restricted funds	<u>19,809,575</u>	<u>6,187,961</u>	<u>(7,361,340)</u>	<u>462,637</u>	<u>(702,000)</u>	<u>18,396,833</u>
Total of funds	<u>20,189,352</u>	<u>6,492,217</u>	<u>(7,575,344)</u>	<u>-</u>	<u>(702,000)</u>	<u>18,404,225</u>

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

Restricted funds:

The General Annual Grant funding must be used for the normal running costs of the Academy Trust in line with its Funding Agreement.

The start-up grants are used to cover the expenditure associated with conversion to Academy Trust during the period.

Other EfA/DfE grants, pupil premium, SEN funding and other restricted income are all used in accordance with the restrictions of the individual grants or funding which are all for the provision of education to the pupils of the Academy Trust.

The pension reserve represents the Local Government Pension Scheme deficit.

Restricted Fixed Asset fund:

Restricted fixed asset funds comprise the value of fixed assets transferred to the Academy Trust on conversion less accumulated depreciation, together with capital grants and donations received and any capital expenditure funded from restricted or unrestricted funds.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

17. STATEMENT OF FUNDS (continued)

Designed funds:

Designated funds have been established by the board to ring-fence income received for the Carnival fund, Local Leaders in Education and Rye Alliance.

Carnival fund will be used to cover expenses incurred when Rye Studio School pupils attend local carnivals.

Local Leaders in Education income will be used to cover costs incurred in providing local leadership within the local area.

Rye Alliance is to cover costs incurred in promoting creativity and culture within the curriculum.

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	<i>Total 2015 £</i>
Rye College	(528,615)	70,274
Rye Studio School	(309,212)	(70,519)
Rye Primary School	406,813	246,703
Central	133,020	191,832
Total before fixed asset fund and pension reserve	<u>(297,994)</u>	438,290
Restricted fixed asset fund	20,195,219	20,478,062
Pension reserve	(1,493,000)	(727,000)
Total	<u><u>18,404,225</u></u>	<u><u>20,189,352</u></u>

The following academies are carrying net deficits on their portion of the funds as follows:

Name of academy	Amount of deficit £
Rye College	(528,615)
Rye Studio School	(309,212)

The net deficit for each of the above Academies is a result of the higher than expected staffing and other costs structures in place during the year and, in the case of the Rye Studio School, the lower than anticipated pupil numbers during the year.

The Academy Trust is taking the following action to return the academies to surplus:

The Trust has submitted a recovery plan to the EFA and is in ongoing communications with the EFA regarding the recovery plan and the strategies set out in this plan.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

17. STATEMENT OF FUNDS (continued)

Through the implementation of this recovery plan, and the continued support from the EFA, this will generate cost savings wherever possible, including staffing costs which are the academies most significant costs, which will return these academies and the Trust overall to surplus over the period of the recovery plan.

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2016 £	Total 2015 £
Rye College	2,004,049	1,022,900	199,608	812,117	4,038,674	4,115,760
Rye Studio School	638,328	189,080	54,846	144,233	1,026,487	1,148,540
Rye Primary School	799,662	554,717	55,734	296,951	1,707,064	859,761
Central	109,082	88,149	3,500	69,317	270,048	287,848
	<u>3,551,121</u>	<u>1,854,846</u>	<u>313,688</u>	<u>1,322,618</u>	<u>7,042,273</u>	<u>6,411,909</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	20,039,195	20,039,195	20,355,625
Current assets	7,392	680,004	156,024	843,420	1,350,717
Creditors due within one year	-	(985,390)	-	(985,390)	(789,990)
Provisions for liabilities and charges	-	(1,493,000)	-	(1,493,000)	(727,000)
	<u>7,392</u>	<u>(1,798,386)</u>	<u>20,195,219</u>	<u>18,404,225</u>	<u>20,189,352</u>

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

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

	2016 £	2015 £
Net (expenditure)/income for the year (as per Statement of financial activities)	(1,083,127)	5,088,808
Adjustment for:		
Depreciation charges	469,071	349,565
Assets transferred on conversion	-	(5,629,000)
Dividends, interest and rents from investments	(1,058)	(790)
Cash transferred on conversion	-	(219,527)
Decrease in debtors	251,079	120,026
Increase in creditors	195,400	232,345
Capital grants from DfE and other capital income	(186,228)	(144,034)
Defined benefit pension scheme cost less contributions payable	36,000	35,000
Defined benefit pension scheme finance cost	28,000	22,000
Pension scheme liability inherited on conversion	-	242,000
Net cash (used in)/provided by operating activities	(290,863)	96,393

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	680,005	936,224
Total	680,005	936,224

21. CAPITAL COMMITMENTS

At 31 August 2016 the Academy Trust had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	76,970	53,022

22. PENSION COMMITMENTS

The Academy Trust'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 East Sussex County Council. Both are Multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £83,667 were payable to the schemes at 31 August 2016 (2015 - 75,800) and are included within creditors.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

22. PENSION COMMITMENTS (continued)

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £341,946 (2015 - £321,212).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

22. PENSION COMMITMENTS (continued)

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 2016 was £352,000 (2015 - £284,000), of which employer's contributions totalled £286,000 (2015 - £229,000) and employees' contributions totalled £66,000 (2015 - £55,000). The agreed contribution rates for future years are 22.5% for employers and various% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.10 %	3.80 %
Rate of increase in salaries	4.10 %	4.60 %
Rate of increase for pensions in payment / inflation	2.10 %	2.70 %

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

	2016	2015
Retiring today		
Males	22.2	22.2
Females	24.4	24.4
Retiring in 20 years		
Males	24.2	24.2
Females	26.7	26.7

The Academy Trust's share of the assets in the scheme was:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,840,300	1,318,000
Bonds	420,640	297,000
Property	262,900	204,000
Cash	105,160	37,000
Total market value of assets	<u>2,629,000</u>	<u>1,856,000</u>

The actual return on scheme assets was £10,549 (2015 - £32,000).

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

22. PENSION COMMITMENTS (continued)

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

	2016 £	2015 £
Current service cost (net of employee contributions)	(322,000)	(264,000)
Net interest cost	(28,000)	(22,000)
	<u> </u>	<u> </u>
Total	(350,000)	(286,000)
	<u> </u>	<u> </u>
Actual return on scheme assets	10,549	32,000
	<u> </u>	<u> </u>

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

	2016 £	2015 £
Opening defined benefit obligation	2,583,000	1,494,000
Current service cost	322,000	264,000
Interest cost	105,000	75,000
Contributions by employees	66,000	55,000
Actuarial losses/(gains)	1,053,000	(40,000)
Liabilities assumed in a business combination	-	751,000
Benefits paid	(7,000)	(16,000)
	<u> </u>	<u> </u>
Closing defined benefit obligation	4,122,000	2,583,000
	<u> </u>	<u> </u>

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

	2016 £	2015 £
Opening fair value of scheme assets	1,856,000	1,047,000
Return on plan assets (excluding net interest on the net defined pension liability)	77,000	53,000
Actuarial gains and (losses)	351,000	(21,000)
Contributions by employer	286,000	229,000
Contributions by employees	66,000	55,000
Assets acquired in a business combination	-	509,000
Benefits paid	(7,000)	(16,000)
	<u> </u>	<u> </u>
Closing fair value of scheme assets	2,629,000	1,856,000
	<u> </u>	<u> </u>

THE RYE ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

23. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Amounts payable:		
Within 1 year	16,086	9,566
Between 1 and 5 years	51,954	38,521
Total	<u>68,040</u>	<u>48,087</u>

24. 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.

25. RELATED PARTY TRANSACTIONS

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

Mr I Potter, a Trustee of the Academy Trust, is also a Director of the Rye Amenity CIC. During the year ended 31 August 2016, the Academy rented an allotment from Rye Amenity CIC at a cost of £43 (2015: £43). At the balance sheet date, the Trust owed £nil (2015: £nil) to Rye Amenity CIC.

26. AGENCY ARRANGEMENTS

The Academy Trust distributes 16-19 bursary funds to students as an agent for the EFA. In the year ended 31 August 2016 the Trust received £14,074 (2015: £13,920) and disbursed £21,920 (£nil) from the fund. An amount of £9,074 (2015: £13,920) is included in other creditors relating to undistributed funds that are repayable to EFA.

The Academy Trust distributes Education Improvement Partnership funds to local schools as an agent for East Sussex County Council. In the account period ending 31 August 2016 the Trust received £37,550 (2015: £53,000) and disbursed £46,931 (2015: £29,702) from the fund. An amount of £13,917 (£23,298) is included in other creditors relating to undistributed funds that are able to be carried forward and utilised in the 2016/17 year on ongoing and new projects.

THE RYE ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

27. FIRST TIME ADOPTION OF FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Reconciliation's and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

RECONCILIATION OF TOTAL FUNDS	Notes	<i>1 September 2014</i>	<i>31 August 2015</i>
		£	£
Total funds under previous UK GAAP		15,081,544	20,189,352
Total funds reported under FRS 102		<u>15,081,544</u>	<u>20,189,352</u>

Reconciliation of net income	Notes	<i>31 August 2015</i>
		£
Net income previously reported under UK GAAP		5,118,808
Changes in recognition of LGPS interest costs	A	<u>(30,000)</u>
Net movement in funds reported under FRS 102		<u>5,088,808</u>

Explanation of changes to previously reported funds and net income/expenditure:

A Under previous UK GAAP the Trust recognised an expected return on defined benefit plan assets in expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expenditure. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the expenditure by £30,000 and decrease other recognised gains and losses in the SoFA by an equivalent amount.