

Registration number: 08357352

# Spalding Grammar School

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2014

## **Spalding Grammar School**

### **Contents**

Reference and Administrative Details	1 to 2
Governors' Report	3 to 8
Governance Statement	9 to 11
Statement on Regularity, Propriety and Compliance	12
Statement of Governors' Responsibilities	13
Independent Auditor's Report on the Financial Statements	14 to 15
Independent Reporting Accountant's Report on Regularity	16 to 17
Statement of Financial Activities incorporating Income and Expenditure Account	18 to 19
Balance Sheet	20 to 21
Cash Flow Statement	22
Notes to the Financial Statements	23 to 42

## **Spalding Grammar School**

### **Reference and Administrative Details**

#### **Governors and Trustees (Directors)**

Mr K Bean  
Mr PG Bell  
Revd J Bennett  
Mr J Bradley  
Mr KC Casswell  
Mr B Chappell  
Mr AC Cunnington (appointed 11 November 2013)  
Mr DM Endersbee (resigned 15 November 2013)  
Mr A Faulkner  
Mrs RE Fuggle  
Mrs D Haslam (appointed 11 November 2013)  
Mrs SAL Hoult (appointed 11 November 2013)  
Mr P Ingleby (appointed 11 November 2013)  
Mr H Johnson  
Mr RG Massey  
Mr N Meekins (appointed 4 February 2014)  
Mr M Morris  
Mr RH Oldershaw (resigned 8 September 2014)  
Mrs R Parsons (resigned 10 November 2013)  
Mr H Ripley (resigned 15 November 2013)  
Mr NS Ryan  
Mrs J Smith  
Dr MSA Townsend

#### **Company Secretary**

Mr S Barton

#### **Senior Team**

Mr NS Ryan, Headteacher  
Mrs CM Lee, Assistant Head  
Mrs SP Ingram, Assistant Head  
Mr S Barton, Business Manager

#### **Headteacher and Registered Office**

Mr NS Ryan  
Spalding Grammar School  
Priory Lane  
Spalding  
Lincolnshire  
PE11 2XH

**Company Registration Number** 08357352

## Spalding Grammar School

### Reference and Administrative Details (continued)

**Auditors** Bulley Davey Limited  
1-4 London Road  
Spalding  
Lincolnshire  
PE11 2TA

**Bankers** Natwest Bank  
501 Silbury Boulevard  
Milton Keynes  
MK9 3ER

**Solicitors** Maples Solicitors LLP  
23 New Road  
Spalding  
Lincolnshire  
PE11 1DH

## **Spalding Grammar School**

### **Governors' Report for the Year Ended 31 August 2014**

The Governors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2014. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

#### **Structure, governance and management**

##### ***Constitution***

The Academy Trust is a company limited by guarantee and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the School Trust. The company registration number is 08357352.

The Governors act as the trustees for the charitable activities of Spalding Grammar School and are also the directors of the charitable company for the purposes of company law.

Details of the Governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

##### ***Principal activities***

The principal activity of the charitable company is education or provision of teaching and learning. The principal activity is encapsulated by provision of first class teaching staff, ably supported by other staff to ensure that all students get the best chance to succeed at all stages of their schooling.

##### ***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.

##### ***Governors' indemnities***

The School through its Articles has indemnified its Governors to the fullest extent permissible by law. During the period the School also purchased and maintained liability insurance for its Governors.

##### ***Method of recruitment and appointment or election of Governors***

Governors are appointed under the rules contained within the memorandum and articles of association. The appointments are made by the trustees who delegate powers to the Senior Team.

The membership of the Governing Body is in accordance with the structure contained within its memorandum and articles of association. Governors have a breadth of skills which are beneficial to the Governing Body as a whole.

Committees have been established that meet regularly to ensure the requirements are being met. Committees include separate Finance and Audit Committees. The Finance Committee meets every term.

Further Sub-Committees have been formed to ensure compliance with the School Development Plan in the areas of Staff Development, Curriculum Development and Student Learning.

All members of the Governing Body are to be directors of the School.

## **Spalding Grammar School**

### **Governors' Report for the Year Ended 31 August 2014 (continued)**

#### ***Policies and procedures adopted for the induction and training of Governors***

The School was incorporated on 11 January 2013 and commenced operations on 1 February 2013. Access to external Governor training has been provided and operating procedures have been delivered to all members of the Governing Body. All Governors are assigned to a Sub-Committee, reporting to the whole Governing Body. Where Governors have a relevant professional skill, the School seeks to use that skill within a particular Sub-Committee. Within the School, the Governors can access the policies and procedures via the Clerk to Governors. Governors attend whole school events and where appropriate, staff training and information sessions.

#### ***Organisational structure***

The organisational structure consists of a Governor level and the Senior Team. The structure is designed to enable all of these personnel to be involved whilst also devolving responsibility appropriately.

The Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the School by use of budgets and making decisions about the direction of the School, capital expenditure and senior staff appointments.

The Senior Team consists of the Headteacher, two Assistant Heads and the Business Manager, who are responsible for communicating and implementing the School's strategies.

The Headteacher and Senior Team are responsible for the day to day running of the organisation, oversee the teaching staff and teams of administration and operational support. The structure and operation of the trust follows the guidelines set out in the academies handbook issued by the Department for Education.

The School access external agencies to ensure a broader provision of education and learning. The agencies include careers and guidance services.

#### ***Connected organisations, including related party relationships***

The Spalding Grammar School operates as a sole entity and is not part of a wider network or federation. The School does not have a sponsor.

#### ***Objectives and activities***

##### ***Objects and aims***

The object of the charity is 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 offering a broad curriculum.

##### ***Objectives, strategies and activities***

The School's principle aim is to ensure that all students have every opportunity to attain their potential - intellectually, socially and personally. The cornerstone of our approach is the strength of the relationships between governors, staff, pupils and parents throughout our community. The friendly and orderly atmosphere combines with a stimulating academic environment to develop the qualities which lead to successful examination results, satisfying personal relationships, the correct blend of individual strengths and co-operation with others, as well as the confidence to face the challenges of the wider world. The School is conscious of the need for continuous improvement of standards.

## **Spalding Grammar School**

### **Governors' Report for the Year Ended 31 August 2014 (continued)**

#### ***Public benefit***

The School provides educational services to predominantly children from the South Holland district who have met the entry requirements by reaching the standard score of 220 in the 11+ examination to qualify in the top 25% of the ability range in Lincolnshire. The Governors confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance provided by the Charity Commission.

## **Spalding Grammar School**

### **Governors' Report for the Year Ended 31 August 2014 (continued)**

#### **Strategic Report**

##### **Achievements and performance**

The level of attainment of 5+ A\*-C including English and Maths was 90.2%. Overall, attainment of 5+ A\*-C GCSEs was 95.1%. The level of attainment of AS level grades A-E was 85% and A2 level grades A-E was 98.1%.

##### **Key non-financial performance indicators**

The School has been fully staffed during the period to 31 August 2014. The curriculum has met the standards expected. Staffing costs are the Schools main expense and the value of the staff is demonstrated throughout the examination results as well as the level of enrichment and commitment demonstrated throughout the School.

In all of the expenditure, the Business Manager, Finance Team, Senior Team and Governors seek best value and question financial decisions made.

The Audit Committee has undertaken reviews of internal systems and controls during the year and have not identified any significant issues to be reported to the Governors.

##### **Going concern**

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

##### **Financial review**

The majority of the School's income derives from central funding via the Education Funding Agency. The School also receives further monies via Local Authority for special education needs and pupil premium. In addition, the School raises funds by professional expertise in accessing grants, negotiating contracts and utilisation of the current facilities.

During the period ended 31 August 2014 the operating expenditure as an Academy of £5 million was covered by Educational Funding Agency grants and other incoming resources. The excess of income over expenditure, excluding pension liabilities, was £0.3 million.

Net current assets at the period end were £1.2 million. The assets were used exclusively for providing education and the associated support services to the learners of the School.

There is a declared deficit on the defined benefit pension scheme, Local Government Pension Scheme for associated staff. Whilst the value is significant, the Governors do not believe that the liability represents a material risk because the liability has been agreed with the Business Manager to be spread over a twenty year period and will be planned into subsequent accounts. Furthermore during the year agreed with LCC what deficit contributions will be made over the next 3 years towards the deficit.

##### **Reserves policy**

The School aims to keep a minimum of one month's salary cost on hand in cash form at any one point. Cash is monitored on a minimum of a weekly basis and money is invested on deposit where appropriate.

##### **Investment policy**

Surplus funds currently held are invested into low risk bank deposits.



## **Spalding Grammar School**

### **Governors' Report for the Year Ended 31 August 2014 (continued)**

#### **Principal risks and uncertainties**

##### ***Financial and risk management objectives and policies***

The majority of the School's income is obtained from the Department for Education via the Education Funding Agency in the form of recurrent grants; the use of which is restricted to particular purpose by the Objects of the Trust and also the Academies Financial Handbook. The grants received during the period ended 31 August 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

##### ***Risk management***

The Governors have assessed the major risks to which the School is exposed, in particular those relating to the specific teaching, provision of facilities and finances. The Governors have implemented a number of systems to assess the risks that the School faces (e.g. health and safety and school trips) and in relation to the control of finance. The Governors have implemented systems such as auditing of the finance area to demonstrate control and to minimize risk.

Risks to the School fall into three categories;

1. Financial - Income to the School is always predicted prudently and expenditure plans are controlled by the whole Governing Body. The Headteacher is accountable to the Governors for restricting expenditure within the set budget.
2. Performance - A huge decline in results would damage the reputation of the School and would impact the recruitment and retention of students with a subsequent loss of income. The Headteacher is accountable to the Governing Body for academic results.
3. Health & Safety - A range of risk assessments have been written. The assessments are reviewed annually.

##### **Employment of disabled persons**

The School is of old construct and purpose built ramps are being put in place to ensure access and egress. The buildings comply with current legislation. There are adequate amounts of lifts and disabled toilet facilities. The School supports special educational needs and does this through training, career development and provision of qualified support personnel.

The Governors recognise that equal opportunities are an integral part of good practice in the workplace. The School aims for the highest standards in opportunity for all and ensures that the working environment allows the contribution needs of all to be understood, known and valued.

##### **Plans for future periods**

The next stage in developing the School will include;

- Increasing the 6th form to in excess of 300 students.
- Publicising and marketing the School to feeder schools to ensure cohorts of 150 students per year.
- Ensure the School Development Plan is effected across all areas of the school.
- Recruiting and retaining highly qualified and skilled staff.
- Ensuring the ethos of the School is maintained and promulgated

## Spalding Grammar School

### Governors' Report for the Year Ended 31 August 2014 (continued)

#### Auditor

In so far as the Governors are aware:

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

Approved by order of the members on 8/12/14 and signed on its behalf by:



Revd J Bennett  
Governor and trustee

## Spalding Grammar School

### Governance Statement

#### Scope of responsibility

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

The Governing Body has delegated the day-to-day responsibility to Mr NS Ryan, 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 Spalding Grammar School and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

#### Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The Governing Body has formally met 6 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Trustee	Meetings attended	Out of a possible
Mr K Bean	6	6
Mr PG Bell	6	6
Revd J Bennett	4	6
Mr J Bradley	4	6
Mr KC Casswell	5	6
Mr B Chappell	5	6
Mr AC Cunningham	6	6
Mr DM Endersbee	1	2
Mr A Faulkner	6	6
Mrs RE Fuggle	6	6
Mrs D Haslam	2	3
Mrs SAL Hoult	3	3
Mr P Ingleby	6	6
Mr H Johnson	3	6
Mr RG Massey	4	6
Mr N Meekins	1	2
Mr M Morris	5	6
Mr RH Oldershaw	5	6
Mrs R Parsons	2	3
Mr H Ripley	2	2
Mr NS Ryan	6	6
Mrs J Smith	4	6
Dr MSA Townsend	4	6

## **Spalding Grammar School**

### **Governance Statement (continued)**

#### **Governance reviews**

The board of trustees review and respond to any third party review of governance requirements. The board of trustees are aware of their responsibility to consider laws and regulations, finance systems and controls and also community responsibility. There have been no formal requests in the current year for a governance review. The board are aware of the requirement to ensure work of the governing body is effective.

#### **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 Spalding Grammar School for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Governing Body has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ending 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Finance Committee.

#### **The risk and control framework**

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

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

The Governing Body has considered the need for a specific internal audit function and has decided to delegate the role to an Audit Committee.

The role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. The Audit Committee reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

There were no material control or other issues reported to date.

#### **Review of effectiveness**

As Accounting Officer, Mr NS Ryan 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 Principle Finance Officer, S Barton;
- the work of the external auditor;
- the financial management and governance self assessment process;

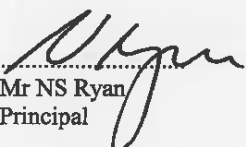
## Spalding Grammar School


### Governance Statement (continued)

- the work of the Accounting Officer and Principle Finance Officer within the School 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 and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Governing Body on 8/12/14 and signed on its behalf by:

  
.....  
Mr NS Ryan  
Principal

  
.....  
Revd J Bennett  
Governor and trustee

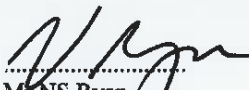
## **Spalding Grammar School**

### **Statement on Regularity, Propriety and Compliance**

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

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

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

  
.....  
Mr NS Ryan  
Accounting Officer

Date: 8/12/14 .....

## Spalding Grammar School

### Statement of Governors' Responsibilities

The Governors (who are the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Academies: Accounts Direction 2013 issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

Approved by order of the members of the Board on 8/12/14 and signed on its behalf by:



Revd J Bennett  
Governor and trustee

## **Spalding Grammar School**

### **Independent Auditor's Report on the Financial Statements to the members of Spalding Grammar School**

We have audited the financial statements of Spalding Grammar School for the year ended 31 August 2014, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies' Accounts Direction 2013 to 2014 issued by the Educational Funding Agency.

This report is made solely to the charitable company's Governors, 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 charity's Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its Governors as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Governors and auditors**

As explained more fully in the Statement of Governors' Responsibilities (set out on page 13), the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 (APB'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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual 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 the 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 2014 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, including the Academies' Accounts Direction 2013 to 2014 issued by the Education Funding Agency; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



## **Spalding Grammar School**

### **Independent Auditor's Report on the Financial Statements to the members of Spalding Grammar School (continued)**

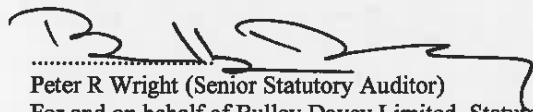
#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' 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 Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Peter R Wright (Senior Statutory Auditor)

For and on behalf of Bulley Davey Limited, Statutory Auditor

1-4 London Road  
Spalding  
Lincolnshire  
PE11 2TA

Date: 15<sup>th</sup> December 2014

## **Spalding Grammar School**

### **Independent Reporting Accountant's Report on Regularity to Spalding Grammar School and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 6 June 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies' Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Spalding Grammar School during the period 1 September 2013 to 31 August 2014 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 Governing Body and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we may state to the Governing Body and 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 Governing Body and EFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of the Governing Body's accounting officer and the reporting accountant**

The Accounting Officer is responsible, under the requirements of the Governing Body's funding agreement with the Secretary of State for Education dated 30 January 2013 and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies' Accounts Direction 2013 to 2014. 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 from 1 September 2013 to 31 August 2014 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 2013 to 2014 issued by 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.

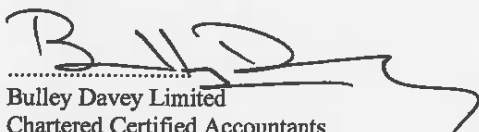
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

## Spalding Grammar School

### Independent Reporting Accountant's Report on Regularity to Spalding Grammar School and the Education Funding Agency (continued)

#### Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

  
Bulley Davey Limited  
Chartered Certified Accountants

1-4 London Road  
Spalding  
Lincolnshire  
PE11 2TA

Date: 15<sup>th</sup> December 2014

## Spalding Grammar School

### Statement of Financial Activities for the Year Ended 31 August 2014 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2014 £	Total 2013 £
<b>Incoming resources</b>						
<i>Incoming resources from generated funds:</i>						
Voluntary income						
Transfer on conversion	2	-	-	-	-	17,268,238
Other voluntary income	2	-	26,335	-	26,335	437
Activities for generating funds	3	19,871	316,369	-	336,240	182,161
Investment income	4	6,019	-	-	6,019	2,747
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations						
	5	-	4,549,195	17,924	4,567,119	2,769,411
School fund income		-	306,189	-	306,189	256,673
<i>Other incoming resources</i>						
Other incoming resources	7	-	54,986	-	54,986	58,037
Total incoming resources		25,890	5,253,074	17,924	5,296,888	20,537,704
<b>Resources expended</b>						
<i>Cost of generating funds:</i>						
Costs of generating voluntary income		-	63,672	-	63,672	22,339
Cost of generating funds		-	-	-	-	546
<i>Charitable activities:</i>						
Academy's educational operations		-	4,387,252	245,916	4,633,168	2,633,484
School fund expenditure		-	267,712	-	267,712	241,039
Governance costs	10	-	12,535	-	12,535	8,750
Total resources expended	8	-	4,731,171	245,916	4,977,087	2,906,158
Net incoming/(outgoing) resources before transfers		25,890	521,903	(227,992)	319,801	17,631,546
Gross transfers between funds		-	(110,619)	110,619	-	-
Net income/(expenditure) for the year		25,890	411,284	(117,373)	319,801	17,631,546

# Spalding Grammar School

## Statement of Financial Activities for the Year Ended 31 August 2014 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses) (continued)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2014 £	Total 2013 £
<b>Other recognised gains and losses</b>						
Opening defined benefit pension scheme liability		-	-	-	-	(699,000)
Actuarial gains on defined benefit pension schemes	27	-	(355,000)	-	(355,000)	(32,000)
Net movement in funds/(deficit)		25,890	56,284	(117,373)	(35,199)	16,900,546
<b>Reconciliation of funds</b>						
Funds brought forward at 1 September 2013		11,424	12,828	16,876,293	16,900,545	-
Funds carried forward at 31 August 2014		37,314	69,112	16,758,920	16,865,346	16,900,546

All of the Academy's activities derive from continuing operations during the above two periods.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

# Spalding Grammar School

(Registration number: 08357352)  
Balance Sheet as at 31 August 2014

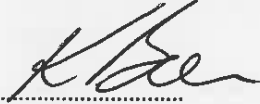
	Note	31 August 2014 £	31 August 2013 £
<b>Fixed assets</b>			
Tangible assets	14	16,758,919	16,876,293
<b>Current assets</b>			
Stocks	15	20,580	34,980
Debtors	16	232,745	195,848
Cash at bank and in hand		1,233,516	902,545
		1,486,841	1,133,373
Creditors: Amounts falling due within one year	17	(263,914)	(378,120)
Net current assets		1,222,927	755,253
Total assets less current liabilities		17,981,846	17,631,546
Creditors: Amounts falling due after more than one year	18	(30,500)	-
Net assets excluding pension liability		17,951,346	17,631,546
Pension scheme liability	27	(1,086,000)	(731,000)
Net assets including pension liability		16,865,346	16,900,546
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
Restricted general fund		1,155,112	743,828
Restricted fixed asset fund		16,758,920	16,876,293
Restricted pension fund		(1,086,000)	(731,000)
		16,828,032	16,889,121
<b>Unrestricted funds</b>			
Unrestricted general fund		37,314	11,425
Total funds		16,865,346	16,900,546

**Spalding Grammar School**

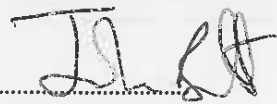
**(Registration number: 08357352)**

**Balance Sheet as at 31 August 2014 (continued)**

The financial statements on pages 18 to 42 were approved by the Governors, and authorised for issue on 8/12/14 and signed on their behalf by:



Mr K Bean  
Governor and trustee



Revd J Bennett  
Governor and trustee

# **Spalding Grammar School**

## **Cash Flow Statement for the Year Ended 31 August 2014**

	Note	31 August 2014 £	31 August 2013 £
Net cash inflow from operating activities	22	685,467	402,812
Cash transferred on conversion to an academy trust		-	268,238
Returns on investments and servicing of finance	23	6,019	2,747
Capital expenditure and financial investment	24	<u>(128,542)</u>	<u>(3,225)</u>
Increase in cash in the year	25	<u>562,944</u>	<u>670,572</u>

### **Reconciliation of net cash flow to movement in net funds**

Increase in cash in the year	562,944	670,572
Net funds at 1 September 2013	<u>902,545</u>	-
Net funds at 31 August 2014	<u>1,465,489</u>	<u>670,572</u>

All of the cash flows are derived from continuing operations during the above two periods.



## **Spalding Grammar School**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies: Accounts Direction 2013 to 2014 issued by the Education Funding Agency and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

##### **Going concern**

The Governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

##### **Incoming resources**

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

##### **Grants receivable**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of 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 year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable 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**

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

##### **Donations**

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

##### **Other income**

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

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 1 Accounting policies (continued)

##### *Donated services and gifts in kind*

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

##### **Resources expended**

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

All resources expended are inclusive of irrecoverable VAT.

##### *Cost of generating funds*

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

##### *Charitable activities*

These are costs incurred on the Academy Trust's educational operations.

##### *Governance costs*

These include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings and reimbursed expenses.

##### **Tangible fixed assets**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

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.

<b>Asset class</b>	<b>Depreciation method and rate</b>
Fixtures and fittings	20% straight line
Computer equipment	33% straight line

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 1 Accounting policies (continued)

Land and buildings	Straight line over 125 years
Motor vehicles	25% straight line
Assets in the course of construction	not depreciated until asset construction complete and in use

#### Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

#### Stock

Unsold uniforms, catering stocks and netbooks are valued at the lower of cost or net realisable value.

#### 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.

#### Pension benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), 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 quinquennial valuations using a prospective benefit method. As stated in the notes to the financial statements, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy 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 method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 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 Governors.

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

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

#### 2 Voluntary income

	Restricted funds £	Total 2014 £	Total 2013 £
Transfer on conversion	-	-	17,268,238
<b>Other voluntary income</b>			
Other voluntary income	26,335	26,335	437
<b>Total voluntary income</b>	<u>26,335</u>	<u>26,335</u>	<u>17,268,675</u>

#### 3 Activities for generating funds

	Unrestricted funds £	Restricted funds £	Total 2014 £	Total 2013 £
Hire of facilities	19,871	-	19,871	9,227
Catering income	-	204,519	204,519	100,055
School shop sales	-	3,948	3,948	667
Recharges and reimbursements	-	86,625	86,625	62,569
Other sales	-	21,277	21,277	9,643
	<u>19,871</u>	<u>316,369</u>	<u>336,240</u>	<u>182,161</u>

#### 4 Investment income

	Unrestricted funds £	Total 2014 £	Total 2013 £
Short term deposits	<u>6,019</u>	<u>6,019</u>	<u>2,747</u>

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 5 Funding for Academy's educational operations

	Restricted funds £	Restricted fixed asset funds £	Total 2014 £	Total 2013 £
<b>DfE/EFA revenue grants</b>				
General Annual Grant	4,443,838	-	4,443,838	2,570,674
Other DfE Income	104,535	17,924	122,459	57,086
	<u>4,548,373</u>	<u>17,924</u>	<u>4,566,297</u>	<u>2,627,760</u>
<b>Non-government grants and other income</b>				
Local Authority Grants	822	-	822	141,651
Total grants	<u>4,549,195</u>	<u>17,924</u>	<u>4,567,119</u>	<u>2,769,411</u>

#### 6 Other charitable activities

	Restricted funds £	Total 2014 £	Total 2013 £
School fund income	<u>306,189</u>	<u>306,189</u>	<u>256,673</u>

#### 7 Other incoming resources

	Restricted funds £	Total 2014 £	Total 2013 £
Service children	600	600	120
Book fines	345	345	331
Sale of equipment	375	375	250
Pre academy income	-	-	57,336
Netbooks	42,296	42,296	-
Other admission income	11,370	11,370	-
	<u>54,986</u>	<u>54,986</u>	<u>58,037</u>

# Spalding Grammar School

## Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

### 8 Resources expended

	Staff costs £	Premises £	Other costs £	Total 2014 £	Total 2013 £
Costs of generating voluntary income	-	-	63,672	63,672	22,339
Costs of activities for generating funds	-	-	-	-	549
<b>Academy's educational operations</b>					
Direct costs	2,615,863	-	371,194	2,987,057	1,801,367
Allocated support costs	947,208	445,299	253,604	1,646,111	832,117
	<u>3,563,071</u>	<u>445,299</u>	<u>624,798</u>	<u>4,633,168</u>	<u>2,633,484</u>
<b>School fund expenditure</b>					
Allocated support costs	-	-	267,712	267,712	241,039
Governance costs including allocated support costs	-	-	12,535	12,535	8,750
	<u>3,563,071</u>	<u>445,299</u>	<u>968,717</u>	<u>4,977,087</u>	<u>2,906,161</u>

### Net incoming/outgoing resources for the year include:

	31 August 2014 £	31 August 2013 £
Fees payable to auditor - audit	2,950	2,950
- other non-audit services	<u>9,585</u>	<u>5,800</u>

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 9 Charitable activities

	Restricted funds £	Restricted fixed asset funds £	Total 2014 £	Total 2013 £
<b>Direct costs</b>				
Teaching and educational support staff costs	2,615,863	-	2,615,863	1,482,693
Educational supplies	74,823	-	74,823	33,731
Examination fees	103,406	-	103,406	86,050
Staff development	21,020	-	21,020	6,413
Educational consultancy	1,832	-	1,832	1,270
Other direct costs	170,113	-	170,113	191,210
	<u>2,987,057</u>	<u>-</u>	<u>2,987,057</u>	<u>1,801,367</u>
<b>Allocated support costs</b>				
Support staff costs	947,208	-	947,208	489,330
Depreciation	-	245,916	245,916	126,932
Maintenance of premises and equipment	64,851	-	64,851	30,358
Cleaning	8,554	-	8,554	5,810
Rent, rates and utilities	111,784	-	111,784	55,945
Insurance	14,194	-	14,194	1,181
Recruitment and support	19,632	-	19,632	20,637
Security and transport	18,088	-	18,088	14,367
Catering	106,406	-	106,406	49,332
Bank interest and charges	3,107	-	3,107	1,878
Professional fees	1,513	-	1,513	6,370
Other support costs	372,570	-	372,570	271,016
	<u>1,667,907</u>	<u>245,916</u>	<u>1,913,823</u>	<u>1,073,156</u>
	<u>4,654,964</u>	<u>245,916</u>	<u>4,900,880</u>	<u>2,874,523</u>

# Spalding Grammar School

## Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

### 10 Governance costs

	Restricted funds £	Total 2014 £	Total 2013 £
<b>Auditors' remuneration</b>			
Audit of financial statements	2,950	2,950	2,950
Other non-audit services	9,585	9,585	5,800
	<u>12,535</u>	<u>12,535</u>	<u>8,750</u>

### 11 Staff costs

	2014 £	2013 £
<b>Staff costs during the year were:</b>		
Wages and salaries	2,828,185	1,597,476
Social security costs	214,279	121,476
Pension costs	440,403	248,832
Supply teacher costs	80,204	4,238
	<u>3,563,071</u>	<u>1,972,022</u>

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

	31 August 2014 No	31 August 2013 No
<b>Charitable Activities</b>		
Teachers	59	55
Administration and support	47	47
Management	4	4
	<u>110</u>	<u>106</u>



## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 11 Staff costs (continued)

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

	31 August 2014 No	31 August 2013 No
£60,001 - £70,000	1	1
£80,001 - £90,000	1	-

2 (2013 - 1) of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014, pension contributions for these staff amounted to £20,519 (2013 - £6,931).

#### 12 Trustees' remuneration and expenses

The Principal and staff trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as trustees. Other trustees did not receive any payments from the Academy trust in respect of their services as trustees. The value of trustees' remuneration was as follows:

Mr NS Ryan (Headteacher and Governor): £85,000 - £90,000 (2013 - £45,000 - £50,000)

Mr PG Bell (Staff Governor): £40,000 - £45,000 (2013 - £25,000 - £30,000)

Mr DM Endersbee (Staff Governor): £40,000 - £45,000 (2013 - £20,000 - £25,000)

Mr H Ripley (Staff Governor): £25,000 - £30,000 (2013 - £10,000 - £15,000)

Mrs D Haslam (Staff Governor): £25,000 - £30,000 (2013 - £15,000 - £20,000)

Mrs SAL Hoult (Staff Governor): £20,000 - £25,000 (2013 - £10,000 - £15,000)

Please note the comparative remuneration for 2013 relates to 7 months only.

#### 13 Trustees' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,791 (2013 - £1,620).

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

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 14 Tangible fixed assets

	Leasehold land and buildings £	Furniture and equipment £	Motor vehicles £	Computer equipment £	Assets under construction £	Total £
<b>Cost</b>						
At 1 September 2013	16,650,000	250,000	-	103,225	-	17,003,225
Additions	-	47,232	27,250	36,136	17,924	128,542
At 31 August 2014	<u>16,650,000</u>	<u>297,232</u>	<u>27,250</u>	<u>139,361</u>	<u>17,924</u>	<u>17,131,767</u>
<b>Depreciation</b>						
At 1 September 2013	77,700	29,167	-	20,065	-	126,932
Charge for the year	133,200	59,448	6,813	46,455	-	245,916
At 31 August 2014	<u>210,900</u>	<u>88,615</u>	<u>6,813</u>	<u>66,520</u>	<u>-</u>	<u>372,848</u>
<b>Net book value</b>						
At 31 August 2014	<u>16,439,100</u>	<u>208,617</u>	<u>20,437</u>	<u>72,841</u>	<u>17,924</u>	<u>16,758,919</u>
At 31 August 2013	<u>16,572,300</u>	<u>220,833</u>	<u>-</u>	<u>83,160</u>	<u>-</u>	<u>16,876,293</u>

#### 15 Stock

	31 August 2014 £	31 August 2013 £
Netbooks	<u>20,580</u>	<u>34,980</u>

#### 16 Debtors

	31 August 2014 £	31 August 2013 £
Trade debtors	42,343	42,066
Prepayments	91,113	58,085
VAT recoverable	99,289	95,697
	<u>232,745</u>	<u>195,848</u>

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 17 Creditors: amounts falling due within one year

	31 August 2014 £	31 August 2013 £
Trade creditors	189,415	31,026
Other taxation and social security	-	549
Other creditors	7,879	2,769
Accruals	29,916	111,803
Deferred income	36,704	-
Overdrawn bank accounts	-	231,973
	<u>263,914</u>	<u>378,120</u>

#### 18 Creditors: amounts falling due after one year

	31 August 2014 £
Other creditor - loan	<u>30,500</u>

The loan is being repaid via repayments every six months of £4,375, starting from 1 March 2015. There is no interest charged on this loan.

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 19 Funds

	Balance at 1 September 2013 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2014 £
<b>Restricted general funds</b>					
Restricted General Fund	743,828	5,253,074	(4,731,171)	(110,619)	1,155,112
<b>Restricted fixed asset funds</b>					
Restricted Fixed Asset Fund	16,876,293	17,924	(245,916)	110,619	16,758,920
<b>Restricted pension funds</b>					
Restricted Pension Fund	<u>(731,000)</u>	<u>-</u>	<u>-</u>	<u>(355,000)</u>	<u>(1,086,000)</u>
Total restricted funds	16,889,121	5,270,998	(4,977,087)	(355,000)	16,828,032
<b>Unrestricted funds</b>					
Unrestricted general funds	<u>11,425</u>	<u>25,890</u>	<u>-</u>	<u>-</u>	<u>37,315</u>
Total funds	<u>16,900,546</u>	<u>5,296,888</u>	<u>(4,977,087)</u>	<u>(355,000)</u>	<u>16,865,347</u>

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 2014

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 20 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	16,744,362	16,744,362
Current assets	37,314	1,449,527	-	1,486,841
Current liabilities	-	(297,784)	-	(297,784)
Pension scheme liability	-	(1,086,000)	-	(1,086,000)
Total net assets	<u>37,314</u>	<u>65,743</u>	<u>16,744,362</u>	<u>16,847,419</u>

#### 21 Financial commitments

##### *Operating leases*

At 31 August 2014 the Academy had annual commitments under non-cancellable operating leases as follows:

##### **Operating leases which expire:**

	31 August 2014 £	31 August 2013 £
<b>Other</b>		
Within one year	1,023	-
Within two to five years	<u>43,385</u>	<u>29,489</u>
	<u>44,408</u>	<u>29,489</u>

#### 22 Reconciliation of net income to net cash inflow/(outflow) from operating activities

	31 August 2014 £	31 August 2013 £
Net income	319,801	17,631,546
Transfer on conversion	-	(17,268,238)
Depreciation	245,916	126,932
Interest receivable	(6,019)	(2,747)
Decrease/(increase) in stocks	14,400	(34,980)
Increase in debtors	(36,896)	(195,848)
Increase in creditors	<u>148,265</u>	<u>146,147</u>
Net cash inflow from operating activities	<u>685,467</u>	<u>402,812</u>

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 23 Returns on investments and servicing of finance

	31 August 2014 £	31 August 2013 £
Interest received	6,019	2,747
Net cash inflow from returns on investments and servicing of finance	<u>6,019</u>	<u>2,747</u>

#### 24 Capital expenditure and financial investment

	31 August 2014 £	31 August 2013 £
Purchase of tangible fixed assets	<u>(128,542)</u>	<u>(3,225)</u>

#### 25 Analysis of changes in net funds

	At 1 September 2013 £	Cash flows £	At 31 August 2014 £
Cash at bank and in hand	<u>670,572</u>	<u>562,944</u>	<u>1,233,516</u>

#### 26 Members' liability

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

#### 27 Pension and similar obligations

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 August 2013.

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

## **Spalding Grammar School**

### **Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)**

#### **27 Pension and similar obligations (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.

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

###### **Valuation of the Teachers' Pension Scheme**

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

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 27 Pension and similar obligations (continued)

##### Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

##### Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £176,000 (2013 - £102,000), of which employer's contributions totalled £141,000 (2013 - £82,000) and employees' contributions totalled £35,000 (2013 - £20,000).

##### Principal actuarial assumptions

	At 31 August 2014 %	At 31 August 2013 %
Rate of increase in salaries	4.00	5.10
Rate of increase for pensions in payment/inflation	2.70	2.80
Discount rate for scheme liabilities	3.70	4.60

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



## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 27 Pension and similar obligations (continued)

	At 31 August 2014	At 31 August 2013
<b>Retiring today</b>		
Males retiring today	22.20	21.20
Females retiring today	24.40	23.40
<b>Retiring in 20 years</b>		
Males retiring in 20 years	24.50	23.70
Females retiring in 20 years	<u>26.80</u>	<u>25.70</u>

The academy's share of the assets and liabilities in the scheme were:

	At 31 August 2014	At 31 August 2013
	£	£
Equities	669,000	534,000
Other bonds	114,000	83,000
Property	<u>97,000</u>	<u>76,000</u>
Total market value of assets	880,000	693,000
Present value of scheme liabilities - funded	<u>(1,966,000)</u>	<u>(1,424,000)</u>
Deficit in the scheme	<u>(1,086,000)</u>	<u>(731,000)</u>

The expected rates of return were:

	At 31 August 2014	At 31 August 2013
	%	%
Equities	6.30	6.60
Other bonds	3.60	4.30
Property	4.50	4.70
Cash	<u>3.30</u>	<u>3.60</u>

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 27 Pension and similar obligations (continued)

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £93,000 (2013 - £28,000).

#### Amounts recognised in the statement of financial activities

	31 August 2014 £	31 August 2013 £
Current service cost	147,000	75,000
Total operating charge	<u>147,000</u>	<u>75,000</u>
Analysis of pension finance income/(costs)		
	31 August 2014 £	31 August 2013 £
Expected return on pension scheme assets	47,000	19,000
Interest on pension liabilities	<u>(69,000)</u>	<u>(35,000)</u>
Pension finance costs	<u>(22,000)</u>	<u>(16,000)</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is (£23,000).

## Spalding Grammar School

### Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

#### 27 Pension and similar obligations (continued)

##### Movements in the present value of defined benefit obligation

	31 August 2014	31 August 2013
	£	£
At 1 September	1,424,000	1,262,000
Current service cost	147,000	75,000
Interest cost	69,000	35,000
Employee contributions	35,000	20,000
Actuarial losses	303,000	32,000
Benefits paid	(12,000)	-
At 31 August	<u>1,966,000</u>	<u>1,424,000</u>

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

	31 August 2014	31 August 2013
	£	£
At 1 September	693,000	563,000
Expected return on assets	47,000	19,000
Actuarial (losses)/gains	(24,000)	9,000
Employer contributions	141,000	82,000
Employee contributions	35,000	20,000
Benefits paid	(12,000)	-
At 31 August	<u>880,000</u>	<u>693,000</u>

The estimated value of employer contributions for next period is £155,000 (2013 - £169,000).

##### History of experience adjustments

Amounts for the current and previous period are as follows:

	31 August 2014	31 August 2013
	£	£
Present value of scheme liabilities	(1,966,000)	(1,424,000)
Fair value of scheme assets	<u>880,000</u>	<u>693,000</u>
Deficit in the scheme	<u>(1,086,000)</u>	<u>(731,000)</u>
	31 August 2014	31 August 2013
	£	£
Experience adjustments arising on scheme assets	(24,000)	9,000
Experience adjustments arising on scheme liabilities	<u>(79,000)</u>	<u>-</u>

Comparative figures have not been restated as permitted by FRS 17.

# Spalding Grammar School

## Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

### 28 Related party transactions

There were no related party transactions in the year.