

**NORTH KESTEVEN SCHOOL
(A Company Limited by Guarantee)
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Registered Number 07657605 (England and Wales)

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NORTH KESTIVEN SCHOOL
FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2012

CONTENTS	PAGES
Reference and Administrative Details	1
Governors' Report	2
Governance Statement	8
Statement of Regularity, Propriety and Compliance	11
Statement of Trustees' Responsibilities	12
Independent Auditor's Reports	13
Statement of Financial Activities (incorporating Income & Expenditure Account)	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Financial Statements	19

NORTH KESTIVEN SCHOOL
REFERENCE & ADMINISTRATIVE DETAILS
PERIOD ENDED 31 AUGUST 2012

Governors (Trustees)

A Gamble* (Chair)
A Goffe (Responsible Officer)
C Curtis*
C Sproson*
C Bryant
F McGrath* (Staff Governor)
F Barrett
J Hutchinson
J Barrie*
J Burnett
L Watkins Groves
M Hardesty (Staff Governor)
M Connor (Headteacher & Accounting Officer)
M Baker
M Clarke
N Tutty
R Eyre
S Pine (Staff Governor)
S Lloyd
S Brown
*Members of the Finance Committee

Company Secretary

G Coggan

Senior Management Team:

Headteacher	M Connor
Deputy Headteacher	R MacKenzie
Finance Director	C Goodenough
Assistant Headteacher	A Fox
Senior Advisor	R Mellows
Assistant Headteacher	N Hazlehurst
Secondment to SLT	Z Bidmead
Assistant Headteacher	R Hazlehurst
Technical & Communication Director	G Coggan

Principal and Registered Office

Moor Lane
North Hykeham
Lincoln
LN6 9AG

Company Registration Number

07659605 (England and Wales)

Independent Auditor

RSM Tenon Audit Limited
The Poynt
45 Wollaton Street
Nottingham NG1 5FW

Bankers

HBSC plc
221 High Street
Lincoln LN1 1TS

Solicitors

Winkworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

NORTH KESTEVEN SCHOOL
GOVERNORS' REPORT
PERIOD ENDED 31 AUGUST 2012

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

The Charitable Company was incorporated on 3 June 2011 and commenced trade as an Academy on 1 July 2011

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee (registration number 07657605) and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the academy trust.

The Governors act as the trustees for the charitable activities of North Kesteven School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as North Kesteven School.

Details of the directors and trustees who served throughout the period 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 period after they cease to be a member, such amount as may be required, not exceeding £1 00 for the debts and liabilities contracted before they ceased to be a member.

Governors' Indemnities

The Governors of North Kesteven School have indemnity insurance cover to the value of £5,000,000. This is purchased by the school at an annual cost of £1,000 for a twelve month period of cover. This cover applies to all governors of the school acting in accordance with the role and professional responsibilities of the school.

Principal Activities

North Kesteven School implements the vision to improve the life opportunities of every learner within the Academy. This is done by providing a broad, balanced curriculum, a climate for learning commensurate with the ethos and philosophy of the school and a culture of mutual respect and tolerance which will prepare every North Kesteven student for life in the twenty first century.

Method of Recruitment and Appointment or Election of Trustees

Potential new trustees are identified by the strategic committee, ensuring that the skills and experience of new trustees are complementary to those of existing board members. North Kesteven School has the power to appoint those trustees who are not subject to election.

Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for new trustees will depend on their existing experience. Where necessary and appropriate the induction process will provide training on charity, educational, legal and financial matters. All new trustees are welcome to visit the Academy and to meet with staff and students. All trustees are provided with access to policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As there are normally no more than one or two new trustees a year, induction tends to be done informally and is tailored specifically to the individual trustees.

NORTH KESTEVEN SCHOOL
GOVERNORS' REPORT
PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (*continued*)

Organisational Structure

There is a clear management structure to control the way in which the School is run. The structure consists of three levels: the initial trustees, the directors and the leadership team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The initial trustees are responsible for the strategic direction of the school. This includes ensuring accountability for roles and exploring efficiency and opportunity strategy across the school to drive standards.

The directors are responsible for setting general policy, adopting an annual plan and budget, monitoring the school's use of budgets and making major decisions about the direction of the trust, capital expenditure and senior staff appointments.

The senior leadership team control the school at an executive level implementing the policies laid down by the trustees and reporting back to them. As a group the senior leadership team are responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointments to the senior leadership team always involve a representative of the trustees.

Risk Management

The trustees have assessed the major risks to which the school is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the trust, and its finances. The trustees have implemented a number of systems to assess risks that the academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover.

Connected Organisations

North Kesteven School is a single academy and works with other academies in the locality to ensure it can procure goods and services at the best economic circumstances. There are no plans to enter into a soft federation with any local academies.

Objectives and Activities

Objects and Aims

North Kesteven School will develop students'

- Abilities to achieve academic and personal success,
- Sense of responsibility for their work, actions and future as members of society,
- Potential for analytical, creative and flexible thinking,
- Appreciation of, and enthusiasm for, learning

By

- Being optimistic, having high expectations and looking to praise and acknowledge success,
- Offering appropriate guidance throughout their time at school and in preparation for their later working life,
- Providing an appropriate, varied, high quality curriculum and effective teaching and learning,
- Maintaining a well-disciplined and ordered community which everyone is proud of and in which all feel safe,
- Providing opportunities for students to develop their extra-curricular interests,
- The regular monitoring of whether the above is being achieved

NORTH KESTIVEN SCHOOL
GOVERNORS' REPORT
PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (*continued*)

Because we believe in

- Everyone's right to respect
- An active partnership with parents to provide mutual support for their children's progress
- Good manners, good humour and self-discipline
- Equal opportunities and access to the curriculum
- Caring for the environment
- Life-long learning

Objectives, Strategies and Activities

We apply whole-school protocols for the use of prior learning and assessment data to inform lesson planning and delivery

We adopt specific strategies to monitor students' learning during their lessons in order to assess their rate of progress against identified criteria

We implement a range of specific strategies to enable all students to achieve at and above their standard expected rate of progress

We apply effective departmental assessment routines which contribute to whole-school assessment procedures, enabling us to conduct regular checks on standards against explicit milestones for both individuals and groups of students

We share our reporting mechanisms with parents to ensure regular, accurate and detailed feedback is provided on student progress

We continue to develop curriculum models which are broad, balanced, personalised and prepare students for life

We will further enhance the depth and rigour of quality assurance processes for vocational subjects and controlled assessments

We will continue to develop curriculum progression routes to meet the needs of all learners in response to the Raising of the Participation Age agenda

We closely monitor the impact of changing national priorities for Curriculum and Qualifications, identifying specific strategies to respond to the changing demands of the new examination structure

We ensure staff delivering Vocational and Examination qualifications have full access to training and information to ensure their delivery and assessment of courses consistently demonstrates the highest standards

Gifted Students

We set out to achieve greater consistency in the quality of learning and progress by demystifying the Ofsted 2012 framework and aligning it with our core teaching practices

We monitor the effectiveness of teaching and the impact on learning by embedding a rigorous quality assurance process throughout the school

NORTH KESTIVEN SCHOOL
GOVERNORS' REPORT
PERIOD ENDED 31 AUGUST 2012

Structure, Governance and Management (*continued*)

We ensure all departments provide challenge for identified students to ensure that our students achieve the highest grades

We adopt methods of identifying best practice across the school and sharing this information with all teachers to positively impact on their teaching practices

We provide regular opportunities for students to have an active voice and positively impact upon teaching and learning

We define and clarify leadership responsibilities across the school, monitoring their effectiveness through a quality assurance cycle and rigorous professional coaching and mentoring procedures

We drive standards across the school through a coordinated CPD programme, delivering bespoke projects and enabling staff to learn from one another to share best practice

We streamline and develop the lines of accountability to the trustees of the school via reporting methods commensurate with the thematic responsibilities of the Senior Leadership Team

We develop our relationships with all stakeholders through regular communication and events in order to develop their voice and to positively impact on our developments

We develop coherence in the North Hykeham Joint Sixth Form by developing the leadership, management and governance and developing the joint monitoring and evaluation of students' performance

We embed our behaviours policy and promote effective learning behaviours through rigour and consistency in day to day expectations throughout the school

We explicitly develop the ability of all students to take responsibility for displaying positive learning behaviours

We will develop structures to support and safeguard all students, identifying barriers to learning and providing appropriate intervention through the use of internal procedures and external agencies

We will embed the use of restorative approaches in order to promote our ethos and values, to further enhance effective communication and to support our positive relationships

We will monitor the involvement of our students in extra-curricular activities, promoting their involvement whilst tracking the impacts on learning

Public Benefit

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the academy's objectives and aims and in planning future activities for the year. The trustees consider that the trust's aims are demonstrably to the public benefit

NORTH KESTIVEN SCHOOL
GOVERNORS' REPORT
PERIOD ENDED 31 AUGUST 2012

Achievements and Performance

To ensure that standards are continually raised the Academy operates a formal programme of Quality Assurance including lesson observations, formal Review Days for departments, learning walks by senior staff, departmental exam reviews and external verification of standards by CfBT and Ofsted. We undertake a comparison of results from entry to Key Stage 3 to Key Stage 4 and from Key Stage 4 to Key Stage 5 to assess the added value. The school's Key Stage 4 results are broadly excellent with our Capped 8 Average Points Score at 372.9 likely to place us in the top 10% of schools for 2012 in this judgement. Our 98% 5A*-C pass rate is also exceptional. However it is accepted the 60% 5A-C including English and Maths headline figure is still slightly disappointing with work needed to further develop Mathematics to be in line with the high performing English department. We use FFT and RaiseOnline data to evaluate our performance throughout the year to enable planning to be in place for vulnerable groups, all subject areas and individual students.

Going Concern

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

Financial Review

Most of the Academy's income is obtained from the Department for Education in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the Department for Education during the year ended 31 August 2012 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also receives grants for fixed assets from the Department for Education. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Financial and Risk Management Objectives and Policies

The trust's exposure to financial risks is minimal, due to the fact that the financial instruments that it deals with are largely bank balances, cash and trade creditors, with limited trade and other debtors. There is a deficit on the Local Government Pension Scheme, as described in note 25 to the financial statements but this is subject to periodic actuarial review and is regularly monitored by the trustees.

Principal Risks and Uncertainties

There are two principal risks and uncertainties relating to the trust:

The future level of funding of secondary education is uncertain in the current economic climate. This is mainly outside the control of the trustees, but they engage with the Department for Education when such opportunities arise. The trustees also set prudent budgets to enable the Academy to react to changes in funding levels, if necessary.

The finances of the Academy are highly sensitive to the number of pupils who are enrolled in Year 7 each year. The trustees and Accounting Officer are confident that the examination successes and enhanced reputations of the academy will enable them to attract an increasing level of new entrants. The Headteacher and the senior leadership team work hard with their network of partner primary schools to promote the benefits of their academy. There is a recognised falling number within the locality for Year 7 pupil places. The Trustees and the Accounting Officer are developing plans to address this risk in the future should it be realised after this year end.

NORTH KESTEVEN SCHOOL
GOVERNORS' REPORT
PERIOD ENDED 31 AUGUST 2012

Financial Review (continued)

Reserves Policy

The trustees have reviewed the reserves of the Trust. This review encompassed the nature of income and expenditure streams, the need to match them with commitments and the nature of reserves. The level of reserves will be kept under review by the trustees.

Investment Policy

The Academy does not hold any long term investments. Any cash surpluses are placed upon overnight or fixed term deposit with the Academy's banker.

Plans for Future Periods

It is important that North Kesteven School remains at the forefront of educational opportunities and developments and to this end the completion of the new five classroom block in 2013 will be significant. Site development is a key priority and a rolling programme of improvements is planned with furniture replacement and refurbishment on a clearly understood schedule. Projected student numbers are healthy with a significant rise predicted from 2017 onwards. Staffing costs will be monitored closely and a programme of CPD established to ensure the plethora of curriculum changes and challenges on the horizon can be met with financial and institutional confidence.

Current curriculum plans will see the continuation of a four option structure at Key Stage Four but this will be reviewed in the light of government announcements following current consultations. Although the curriculum plan remains broadly the same the curriculum and timetable design will be changed from a 20 period week to a 25 period week with lesson size reduced from 70 to 60 minutes. Potential staffing costs will be analysed but it is expected they will be minimal. Issues to address financially will be support staff hours, potential transitional transport costs and PPA time for teachers.

Funds held as Custodian Trustee on behalf of other

The Academy does not act as custodian trustee on behalf of any others.

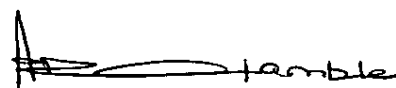
Auditor

In so far as the trustees are aware

- There is no relevant audit information of which the Charitable Company's auditor is unaware, and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The auditors are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

Approved by order of the directors and trustees on 10th December 2012 and signed on their behalf by


A Gamble
Chair

NORTH KESTEVEN SCHOOL
GOVERNANCE STATEMENT
PERIOD ENDED 31 AUGUST 2012

Scope of Responsibility

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

The Board of Trustees have delegated the day-to-day responsibility to the Headteacher, 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 North Kesteven School and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees 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 Trustees' responsibilities. The Board of Trustees has formally met six times during the year. Attendance during the year at meetings of the Trustee meetings were as follows:

Governor	Meetings attended	Out of a possible
A Gamble (Chair)	4	6
A Goffe (Responsible Officer)	6	6
C Curtis	5	6
C Sproson	6	6
C Bryant	2	6
F McGrath (Staff Governor)	6	6
F Barrett	6	6
J Hutchinson	6	6
J Barrie	5	6
J Burnett	5	6
L Watkins Groves	6	6
M Hardesty (Staff Governor)	6	6
M Connor (Headteacher & Accounting Officer)	6	6
M Baker	5	6
N Clarke	5	6
N Tutty	5	6
R Eyre	2	6
S Pine (Staff Governor)	5	6
S Lloyd	5	6
S Brown	1	1

The Finance and Audit Committee is a sub-committee of the main Board of Trustees. Its purpose is to propose the annual budget, review actual performance throughout the year in financial matters, review the effectiveness of financial internal controls through the Responsible Officer reporting systems, advise the Trustees on the appropriateness or otherwise of spending requests outside the delegated powers given to it and monitor and keep under review the needs and requirements of the Academy in relation to competitive tendering.

NORTH KESTEVEN SCHOOL
GOVERNANCE STATEMENT
PERIOD ENDED 31 AUGUST 2012

Attendance at meetings in the year were as follows

Governor	Meetings attended	Out of a possible
J Barrie (Chair)	4	5
C Curtis	5	5
C Sproson	5	5
F McGrath (Staff)	5	5
M Connor (Accounting Officer)	5	5
A Gamble	3	5

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the 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 North Kesteven School for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The 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 Trustees are of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body through the Health & Safety Sub- Committee.

The Risk and Control Framework

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

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

The trustees have considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Alicia Goffe, a Trustee, as Responsible Officer ('RO'). The role of RO has been delegated to RSM Tenon under the direction of the academy's RO function. The detailed testing element of the RO's role includes giving advice on financial matters and performing a range of checks on the Academy trust's financial systems. On a quarterly basis the RO reports to the Trustees on the operation of the systems of control and on the discharge of their financial responsibilities. All recommendations and actions are discussed and agreed at the Finance & Audit Committee following each RO report.

NORTH KESTIVEN SCHOOL
GOVERNANCE STATEMENT
PERIOD ENDED 31 AUGUST 2012

There has been one high recommendation which was implemented with immediate effect following its identification, and two low recommendations which were discussed and one accepted by the Academy. The second low recommendation will be monitored for consideration in the future should the risk level be amended.

Review of Effectiveness

As Accounting Officer, the Headteacher 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 Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the executive managers within the academy 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 Finance and Audit 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 and signed on its behalf by



A Gamble
Chair



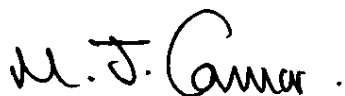
M Connor
Accounting Officer

NORTH KESTEVEN SCHOOL
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
PERIOD ENDED 31 AUGUST 2012

As Accounting Officer of North Kesteven 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.



M Connor
Accounting Officer

NORTH KESTEVEN SCHOOL
STATEMENT OF TRUSTEES' RESPONSIBILITIES
PERIOD ENDED 31 AUGUST 2012

The governors (who act as trustees for charitable activities of North Kesteven School Limited and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

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

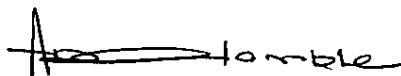
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 of both propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the governing body on 10th December 2012 signed on its behalf by



A Gamble
Chair

NORTH KESTEVEN SCHOOL
INDEPENDENT AUDITOR'S REPORT
PERIOD ENDED 31 AUGUST 2012

Independent Auditor's Report on the Financial Statements to the Governing Body of North Kesteven School

We have audited the financial statements of North Kesteven School for the period ended 31 August 2012 which comprises the Statement of Financial Activities (including income and expenditure account and statement of recognised gains and losses), balance sheet 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 Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 13, the governors (who are also the directors of the 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. 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 2012, and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency, and
- have been prepared in accordance with the requirements of the Companies Act 2006

NORTH KESTIVEN SCHOOL
INDEPENDENT AUDITOR'S REPORT
PERIOD ENDED 31 AUGUST 2012

Opinion on other matter prescribed by the Companies Act 2006

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

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

David Hoose
Senior Statutory Auditor
for and on behalf of

RSM Tenon Audit Limited

RSM Tenon Audit Limited
The Poynt
45 Wollaton Street
Nottingham
NG1 5 FW

19 December 2012

NORTH KESTEVEN SCHOOL
INDEPENDENT AUDITOR'S REPORT
PERIOD ENDED 31 AUGUST 2012

Independent Auditor's Report on Regularity to the Governing Body of North Kesteven School Limited and the Education Funding Agency

In accordance with the terms of our engagement letter dated 18 November 2011 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by the academy trust during the period 1 July 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the Governing Body and the EFA. Our review work has been undertaken so that we might state to the Governing Body and the EFA those matters we are required to state to it 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 the EFA for our review work for this report, or for the opinion we have formed

Respective responsibilities of the Governing Body and Auditors

The governing body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the period 1 July 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Accounts Direction issued by the EFA. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy's income and expenditure

Opinion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 July 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

RSM Tenon Audit Limited

David Hoose
Senior Statutory Auditor
for and on behalf of
RSM Tenon Audit Limited

19 December 2012

NORTH KESTIVEN SCHOOL

STATEMENT OF FINANCIAL ACTIVITIES

(including Income and Expenditure Account and Statement of Recognised gains and losses)

FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2012 £'000
Incoming resources					
<i>Income resources from generated funds</i>					
- Voluntary income	3	291	-	-	291
- Transfer from Local Authority on conversion	27	153	(1,337)	11,372	10,188
- Activities for generating funds	4	571	-	-	571
- Investment income	5	1	-	-	1
<i>Incoming resources from charitable activities</i>					
- Funding for the Academy's educational operations	6	-	8,318	-	8,318
Total incoming resources		<u>1,016</u>	<u>6,981</u>	<u>11,372</u>	<u>19,369</u>
Resources expended					
<i>Cost of generating funds</i>					
- Cost of generating voluntary income	7	254	-	-	254
- Fundraising trading		-	-	-	-
<i>Charitable activities</i>					
- Academy's educational operations	8	258	7,899	492	8,649
<i>Governance costs</i>	9	35	-	-	35
Total resources expended	7	<u>547</u>	<u>7,899</u>	<u>492</u>	<u>8,938</u>
Net incoming/(outgoing) resources before transfers					
Gross transfer between funds	16	469 (21)	(918) (163)	10,880 184	10,431 -
Net income/(expenditure) for the year		<u>448</u>	<u>(1,081)</u>	<u>11,064</u>	<u>10,431</u>
<i>Other recognised gains and losses</i>					
- Actuarial gains/(losses) on defined benefit pension scheme	25	-	(248)	-	(248)
Net movement in funds and funds carried forward	16	<u>448</u>	<u>(1,329)</u>	<u>11,064</u>	<u>10,183</u>

All of the Academy's activities derive from acquisitions in the current financial period

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

The notes on pages 19 to 34 form part of these financial statements

NORTH KESTEVEN SCHOOL
BALANCE SHEET AS AT 31 AUGUST 2012
COMPANY NUMBER: 07657605

	Notes	2012 £'000	2012 £'000
Fixed assets			
Tangible assets	13		11,064
Current assets			
Debtors	14	113	
Cash at bank and in hand		864	
Liabilities		977	
Creditors amounts falling due within one year	15	(776)	
Net current assets			201
Total assets less current liabilities and net assets excluding pension liability			11,265
Pension scheme liability	25		(1,082)
Net assets including pension liability			10,183
Funds of the academy:			
Restricted funds			
Fixed asset fund	16	11,064	
General fund	16	(247)	
Pension reserve	16,25	(1,082)	
Total restricted funds			9,735
Unrestricted funds			
General fund	16		448
Total funds			10,183

The financial statements on pages 15 to 33 were approved by the governors and authorised for issue on 26 November 2012 and are signed on their behalf by



A Gamble
Chair

The notes on pages 18 to 33 form part of these financial statements

NORTH KESTIVEN SCHOOL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

	Notes	2012 £'000
Net cash inflow from operating activities	20	894
Returns on investments and servicing of finance	21	1
Capital expenditure	22	(184)
Increase in cash in the period	23	<u>711</u>
Reconciliation of net cash flow to movement in net funds		
Transfer from Local Authority on conversion		153
Increase in cash in the period		711
Net funds at 31 August 2012	23	<u>864</u>

All of the cash flows are derived from acquisitions in the current financial period

The notes on pages 19 to 34 form part of these financial statements

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2012

1. Statement of 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 issued by the Education Funding Agency and the Companies Act 2006. The Statement of Financial Activities as set out on page 15 identifies the identical information as that of the Income and Expenditure Statement. As such, no separate Income and Expenditure Statement has been prepared.

A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Conversion to an Academy Trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from North Kesteven School to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out on North Kesteven School Limited. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/(expenditure) in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 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 trust to continue as a going concern. The trustees make this assessment each year 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 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.

- **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.

- **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.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies

• **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

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.

• **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 trust's educational operations.

• **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT.

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, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Freehold buildings	- 2% straight line
Long leasehold buildings	- 2% straight line
Fixtures and equipment	- 20% straight line
Computer equipment and software	- 20% straight line
Motor vehicles	- 33% straight line

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies (continued)

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

Leased Assets

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

Stock

Unsold catering stocks 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 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 Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS'), the Local Government Pension Scheme ('LGPS') and a defined contribution pension scheme. These first two 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 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 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 Note 26, the TPS is a multi-employer scheme and the 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 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.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

1. Statement of Accounting Policies (continued)

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the 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 and include grants from the Education Funding Agency or the Department for Education

2 General Annual Grant (GAG)

	2012 £'000
a) Results and carry forward for the period	
GAG brought forward from previous period	-
GAG allocation for current period	8,196
	<u>8,196</u>
Total GAG available to spend	8,196
Recurrent expenditure from GAG	(7,764)
Fixed assets purchased from GAG	(184)
	<u>248</u>
GAG carried forward to next year	
Maximum permitted GAG carry forward (12% of allocation for current year)	(983)
	<u>(735)</u>
GAG to surrender to DfE (12% rule breached if result is positive)	<u>(735)</u>

3. Voluntary Income

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
Capital grants	-	-	-
Private sponsorship	-	-	-
Other donations	291	-	291
	<u>291</u>	<u>-</u>	<u>291</u>

4. Activities for Generating Funds

Hire of facilities	-	-	-
Catering income	255	-	255
Other income	316	-	316
	<u>571</u>	<u>-</u>	<u>571</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

5. Investment Income

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
Short term deposits	<u>1</u>	<u>-</u>	<u>1</u>

6. Funding for academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
DfE/EFA capital grants			
Academy main buildings	<u>-</u>	<u>-</u>	<u>-</u>
DfE / EFA revenue grants			
General Annual Grant (GAG)	-	8,196	8,196
Start Up Grants	-	-	-
Other DfE/EFA Grants	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>8,196</u>	<u>8,196</u>
Other Government grants			
Local authority grants	-	122	122
Special educational projects	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>122</u>	<u>122</u>
Total	<u>-</u>	<u>8,318</u>	<u>8,318</u>

7. Resources expended

	Staff Costs £'000	Non Pay Premises £'000	Expenditure Other costs £'000	Total 2012 £'000
Costs of activities for generating funds	133	-	121	254
Academy's education operations				
- Direct costs	5,049	-	549	5,598
- Allocated support costs	1,295	836	920	3,051
	<u>6,344</u>	<u>836</u>	<u>1,469</u>	<u>8,649</u>
Governance costs including allocated support costs	<u>-</u>	<u>-</u>	<u>35</u>	<u>35</u>
	<u>6,477</u>	<u>836</u>	<u>1,625</u>	<u>8,938</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

7. Resources expended (continued)

Incoming/outgoing resources for the year include:

	2012 £'000
Fees payable to auditor	
- audit	8
- other services	5
Depreciation of fixed assets	<u>492</u>

8. Charitable Activities – Academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
Direct costs.			
Teaching and educational support staff costs	-	5,049	5,049
Depreciation	-	-	-
Educational supplies	-	20	20
Educational visits	258	-	258
Examination fees	-	200	200
Staff development	-	22	22
Educational consultancy	-	35	35
Other direct costs	-	14	14
	<u>258</u>	<u>5,340</u>	<u>5,598</u>
Allocated support costs:			
Support staff costs	-	1,295	1,295
Depreciation	-	492	492
Recruitment and support	-	12	12
Maintenance of premises and equipment	-	103	103
Cleaning	-	124	124
Rent and rates	-	117	117
Insurance	-	79	79
Security and transport	-	23	23
Bank interest and charges	-	72	72
Other support costs	-	734	734
	<u>-</u>	<u>2,583</u>	<u>3,051</u>
Total	<u>258</u>	<u>7,923</u>	<u>8,649</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

9. Governance Costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000
Legal and professional fees	25	-	25
Auditor's remuneration			
- Audit of financial statements	8	-	8
- Responsible officer audit	2	-	2
	<u>35</u>	<u>-</u>	<u>35</u>

10. Staff costs

Staff costs during the period were

	2012 £'000
Wages and salaries	5,371
Social security costs	363
Pension costs	743
	<u>6,477</u>
Supply teacher costs	-
Compensation payments	-
	<u>6,477</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

	2012 No.
Charitable activities	
Teachers	100
Administration and support	89
Management	9
	<u>198</u>

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

	2012 No.
£70,001 - £80,000	2
£105,001 - 110,000	1

Three of the above employees participated in the Teachers' Pension Scheme During the period ended 31 August 2012, pension contributions for these staff amounted to £31,000

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

11. Governors' remuneration and expenses

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

Principal	£105,001 - £110,000
Staff Governor 1	£50,001 - £55,000
Staff Governor 2	£40,001 - £45,000
Staff Governor 3	£20,001 - £25,000

During the year period 31 August 2012, travel and subsistence expenses totalling £1,000 were reimbursed to 5 governors

Other related party transactions involving the trustees are set out in note 26

12 Governors' and Officers' Insurance

In accordance with normal commercial practice, the academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ended 31 August 2012 was £1,000

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

13. Tangible Fixed Assets

	Freehold Land & Buildings £'000	Furniture and equipme nt £'000	Computer equipment £'000	Total £'000
Cost				
Transfer on conversion	11,275	80	17	11,372
Additions	162	11	11	184
Disposals	-	-	-	-
At 31 August 2012	<u>11,437</u>	<u>91</u>	<u>28</u>	<u>11,556</u>
Depreciation				
Charged in year	468	18	6	492
Disposals	-	-	-	-
At 31 August 2012	<u>468</u>	<u>18</u>	<u>6</u>	<u>492</u>
Net book values				
At 31 August 2012	<u>10,969</u>	<u>73</u>	<u>22</u>	<u>11,064</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

14 Debtors

	2012 £'000
Trade debtors	26
Other debtors	31
Prepayments	56
	<u>113</u>

All amounts shown within debtors fall due for payment within one year

15. Creditors: amounts falling due within one year

Trade creditors	27
Other creditors	495
Accruals and deferred income	254
	<u>776</u>

16. Funds

	Transfer on conversion £'000	Income resources £'000	Resources expended £'000	Gains, losses and transfers £'000	Balance at 31 August 2012 £'000
Restricted funds					
General Annual Grant (GAG)	-	8,196	(7,764)	(184)	248
Start up Grant	-	-	-	-	-
Other DfE/EFA grants	-	-	-	-	-
Other government grants	-	122	(122)	-	-
Inherited loan	(516)	-	-	21	(495)
Pension reserve	(821)	-	(13)	(248)	(1,082)
	<u>(1,337)</u>	<u>8,318</u>	<u>(7,899)</u>	<u>(411)</u>	<u>(1,329)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	-	-	-	-	-
Capital expenditure from GAG	-	-	-	184	184
Academy main building	11,372	-	(492)	-	10,880
	<u>11,372</u>	<u>-</u>	<u>(492)</u>	<u>184</u>	<u>11,064</u>
Total restricted funds	<u>10,035</u>	<u>8,318</u>	<u>(8,391)</u>	<u>(227)</u>	<u>9,735</u>
Unrestricted funds					
General funds	153	863	(547)	(21)	448
Total funds	<u>10,188</u>	<u>9,181</u>	<u>(8,938)</u>	<u>(248)</u>	<u>10,183</u>

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

17. Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	-	11,064	11,064
Current assets	711	266	-	977
Current liabilities	(263)	(513)	-	(776)
Pension scheme liability	-	(1,082)	-	(1,082)
Total net assets	<u>448</u>	<u>(1,329)</u>	<u>11,064</u>	<u>10,183</u>

18 Capital commitments

	2012 £'000
Contracted for, but not provided in the financial statements	<u>288</u>

19. Financial commitments

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

	2012 £'000
<u>Other</u>	
Expiring within one year	<u>30</u>

20. Reconciliation of net income to net cash inflow from operating activities

	2012 £'000
Net income for the period	10,431
Depreciation (note 13)	492
Capital grants from DfE and other capital income	-
Interest receivable (note 5)	(1)
FRS 17 pension cost less contributions payable (note 25)	(27)
FRS pension finance income (note 25)	40
Increase in debtors	(113)
Increase in creditors	260
Transfer from Local Authority on conversion	(10,188)
Net cash inflow from operating activities	<u>894</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

21 Returns on investments and servicing of finance

	2012 £'000
Interest received	<u>1</u>
Net cash inflow from returns on investment and servicing of finance	<u><u>1</u></u>

22. Capital expenditure and financial investment

Purchase of tangible fixed assets	184
Capital grants from DfE/EFA	-
Net cash outflow from capital expenditure and financial investment	<u><u>184</u></u>

23. Analysis of changes in net funds

	At 1 July 2011 £'000	Cash flows £'000	At 31 August 2012 £'000
Cash in hand and at bank	153	711	864
Net cash inflow from returns on investment and servicing of finance	<u>153</u>	<u>711</u>	<u><u>864</u></u>

24. Members' Liabilities

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 £1 for the debts and liabilities contracted before he/she ceases to be a member

25 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 support staff which is managed by Lincolnshire County Council Both are defined-benefit schemes

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

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

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

25. Pension and similar obligations (continued)

Teachers' Pension Scheme

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

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%) which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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

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

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

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

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

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

25. Pension and similar obligations (continued)

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirements 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 and the implications for the academy in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £287,000 of which employer's contributions totalled £222,000 and employees' contributions totalled £65,000. The agreed contribution rates for future years are, on average 6.45% for employers and 21.2% for employees.

Principal Actuarial Assumptions

	At 31 August 2012
Rate of increase in salaries	4.5%
Rate of increase for pensions in payment / inflation	2.2%
Discount rate for scheme liabilities	4.1%
Inflation assumption (CPI)	2.2%

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

	At 31 August 2012
<i>Retiring today</i>	
Males	21.2
Females	23.4
<i>Retiring in 20 years</i>	
Males	23.7
Females	25.7

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

25. Pension and similar obligations (continued)

The academy's share of the assets and liabilities in the scheme and the expected rates of return were

	Expected return at 31 August 2012	Fair value at 31 August 2012 £'000
Equities	5.5%	868
Bonds	3.7%	150
Property	3.7%	127
Cash	2.8%	12
Total market value of assets		1,157
Present value of scheme liabilities		
Funded		(2,239)
Deficit in the scheme		(1,082)

The actual return on scheme assets was £19,000

Amounts recognised in the statement of financial activities

	2012 £'000
Current service cost (net of employee contributions)	195
Past service cost	-
Total operating charge	195
Analysis of pension finance income	
Expected return on pension scheme assets	(76)
Interest on pension liabilities	116
Pension finance income	40

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 a £248,000 loss.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

25. Pension and similar obligations (continued)

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

	2012 £'000
Transfer on conversion	1,674
Current service cost	195
Employee contributions	65
Actuarial loss	189
Benefits paid	-
Past service cost	-
Curtailments and settlements	-
Interest cost	116
At 31 August	<u>2,239</u>

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

Transfer on conversion	853
Expected return on assets	76
Actuarial gain	(59)
Employer contributions	222
Employee contributions	65
Benefits paid	-
At 31 August	<u>1,157</u>

The estimated value of employer contributions for the period ended 31 August 2013 is £191,000

The five year history of experience adjustments is as follows:

	2012 £'000	2011 £'000
Present value of defined benefit obligations	(2,239)	(1,674)
Fair value share of scheme assets	1,157	853
Deficit in the scheme	<u>(1,082)</u>	<u>(821)</u>
Experience adjustments on share of scheme assets		
Amount £'000	(59)	-
Experience adjustments on scheme liabilities		
Amount £'000	<u>-</u>	<u>-</u>

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
PERIOD ENDED 31 AUGUST 2012

26. Related Party Transactions

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

27. Conversion to an academy trust

On 1 July 2011 the North Kesteven School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North Kesteven School Limited from the Lincolnshire County Council Local Authority for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net income/resources expended in the Statement of Financial Activities as voluntary income/other resources expended.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total £'000
Freehold land & buildings		-	11,275	11,275
Other tangible fixed assets		-	97	97
Budget surplus on LA funds	153	-	-	153
LGPS pension deficit	-	(821)	-	(821)
Borrowing obligations		(516)	-	(516)
Net assets/(liabilities)	153	(1,337)	11,372	10,188