

North Kesteven School
(A Company Limited by Guarantee)
Annual Report & Financial Statements
Year ended 31 August 2016

Registered Number 07657605 (England and Wales)



North Kesteven School

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Year ended 31 August 2016

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North Kesteven School

Reference and Administrative Details

Year ended 31 August 2016

| | |
|--|--|
| Members | N Tutty (resigned 28 th February 2016) Martyn Taylor R Barrett |
| Trustees | MA Taylor* - Chair (appointed 28 September 2015, elected Chair 12 th April 2016) N Tutty - Chair* (resigned 28 th February) J Burnett R Barrett* M Connor –Headteacher (resigned 31 August 2016) N Cooper D Garfoot M Gallimore (staff trustee) D Kershaw (resigned 8 th February 2016) JP Sloan* R Shore (staff trustee) Neil Wilkinson-McKie - Headteacher (appointed 31 October 2016) *Members of the Finance and Audit Committee R Goldsworthy |
| Company Secretary | |
| Senior Leadership Team | |
| Headteacher | N Wilkinson-McKie (appointed 31 October 2016) |
| Head Of Finance | S Clark |
| Head of Human Resources | R Goldsworthy |
| Assistant Headteacher | K Jones |
| Assistant Headteacher | A Sandbrook |
| Assistant Headteacher | B Smith |
| Assistant Headteacher | J Tunnicliffe |
| Principal and Registered Office | Moor Lane North Hykeham Lincoln, LN6 9AG |
| Company Registration Number | 07659605 (England and Wales) |
| Independent Auditor | Forrester Boyd, Chartered Accountants 139 Eastgate Louth Lincolnshire, LN11 9QQ |
| Bankers | Lloyds Bank plc Lloyds Commercial 1-3 Church Street Mansfield Nottinghamshire NG18 1AF |
| Solicitors | Winkworth Sherwood Minerva House 5 Montague Close London, SE1 9BB |

North Kesteven School

Trustees Report

For the year ended 31 August 2016

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2016.

The trust operates an academy for pupils aged 11 to 18 serving a catchment area in the district of North Kesteven, immediately to the south of Lincoln but also extending to several outlying villages to the south of the city. It has a pupil capacity of 1,400 and the number on roll was 1,236 on the school census in October 2016.

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 trustees of North Kesteven School 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 trustees who served during 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 for the debts and liabilities contracted before they ceased to be a member.

Trustees' indemnities

The trustees of North Kesteven School are covered under the Professional Indemnity section of the Risk Protection Arrangement (RPA) for academy trusts to the value of £500,000. The academy joined the RPA on 1st September 2016 and the cover is funded by a deduction of £20 per pupil from the GAG. This cover applies to all trustees of the school acting in accordance with the role and professional responsibilities of the school.

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.

Organisational structure

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

North Kesteven School
Trustees Report (continued)
For the year ended 31 August 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

The directors 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. This includes 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 leadership staff appointments.

The senior leadership team control the school at an executive level implementing the policies laid down by the directors 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, although appointments to the senior leadership team always involve a representative of the directors.

Arrangements for setting pay and remuneration of key management personnel

Any new post on the leadership pay range will only be advertised with the prior approval of the board of trustees, who will set the appropriate pay range with reference to the Standard Teachers Pay and Conditions Document. There is no right of appeal against the salary level to which a person is appointed.

Progression on the Leadership Pay Range follows the STPCD guidance, and stipulates that there will be no progression unless there has been sustained high quality of performance judged against:

- **Performance objectives**
- **Specific job descriptions; and**
- **The Teachers' Standards.**

Under no circumstances may more than two points pay progression on the Leadership Pay Range be awarded in any one year and the award of two points will be exceptional and require detailed justification.

Related Parties and other Connected Charities and Organisations

North Kesteven School is a single academy trust and works with others academies in the locality to ensure it can procure goods and services at the best economic circumstances. Initial discussions have taken place with the local school with whom the Post 16 provision is shared regarding the potential to form a Multi Academy Trust (MAT) and these discussions are likely to continue during 2016/17.

OBJECTIVES AND ACTIVITIES

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.

North Kesteven School

Trustees Report (continued)

For the year ended 31 August 2016

OBJECTIVES AND ACTIVITIES (CONTINUED)

Objects and aims

North Kesteven School will develop students':

- Awareness of the importance of building resilience and independent learning
- As confident, caring individuals within an increasingly fragmented society
- As rounded, confident individuals fully prepared for work and play in the twenty first century
- Potential in academic, vocational and creative areas of the curriculum
- Appreciation of, and enthusiasm for, learning across the full range of subjects.

By:

- Being positive and optimistic, having high expectations and looking to praise and acknowledge success;
- Offering appropriate information, advice and guidance throughout their time at school and in preparation for their later working life;
- Providing an academic, vocational and creative curriculum giving challenge and opportunity to develop the strengths, talents and skills of all students
- 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;
- A relentless focus on achievement and academic success.

Because we believe in:

- Harmonious and productive relationships
- A broad, balanced curriculum which maximises the chance to produce rounded individuals
- 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.
- A high quality learning environment
- Providing the best information, advice and guidance to students.

Objectives, strategies and activities

A1 -We will continue to develop the use of prior learning and assessment data especially CAT and L3VA data linked to robust and accurate tracking data to ensure all benchmark standards are achieved in all key stages

A2 - We will continue to employ a selection of robust strategies to monitor students' learning in order to continually assess their rate of progress against identified criteria. We will focus particularly on the KS3 Life Without Level model, reports to parents and the use of pathways to inform options decisions, including a commitment to the national EBacc agenda.

A3 - We will continue to use a wide variety of strategies to enable all students to achieve at or above their expected rate of progress. We will identify and monitor specific groups of interest identified in the school outcomes data 2016 in order to narrow gaps between students. We will continue to ensure staff knowledge and understanding of new progress measures.

A4 - We will review, modify and monitor the rigour and impact of department assessment routines which contribute to whole-school assessment procedures in order to provide further stretch and challenge to all students – more able and those who are underachieving.

North Kesteven School

Trustees Report (continued)

For the year ended 31 August 2016

OBJECTIVES AND ACTIVITIES (*CONTINUED*)

A5 - We will continue to focus on post-16 outcomes to ensure clarity, rigour and consistency across the KS5 curriculum leading to performance on or above target outcomes and national expectations.

C1 - We will develop a curriculum model which provides learning programmes of suitable breadth, depth and relevance to meet the needs of all students in the national and local context; whilst fulfilling the relevant statutory requirements of the qualification and examination framework.

C2 - We will review and evaluate the curriculum provision with respect to Progress 8, Attainment 8 and Ebacc performance as a school but against the clear rationale for all year groups and individual students.

C3 - We will promote a rich provision of classroom, extra-curricular activities and work experience to develop those character attributes which underpin students' success in further education and employment. We will provide and record a range of opportunities to prepare students for life in modern Britain and showcase our excellent curriculum and extra-curricular provision, to raise the profile of NKS locally and beyond.

C4 - We will review the curriculum with staff to ensure that:
the KS3 curriculum allows progress to be made by all students in all subjects from KS2 through to the start of KS4; and the KS5 programmes of study support academic progress and encourage progression to the next level of education or employment.

C5 - We will ensure that staff are fully empowered to deliver highly effective linear examination courses; vocational courses and controlled assessments at KS4 & 5. We will review all departments to ensure all students and staff are fully prepared for the ongoing changes to assessments and qualifications.

T1 - We will achieve consistency in the quality of assessment and feedback by ensuring that a range of techniques are used by all departments to the benefit of student progress. Consistency will be evident through a range of QA mechanisms.

T2 - We will use the whole school QA framework to identify and then act on areas of weakness in teaching quality and in student progress and attainment.

T3 - We will ensure departments provide challenge for all students with particular emphasis on the student groups identified in data trends as well as meeting the needs of SEND students through appropriate actions and proactive support.

T4 - We will maintain and develop the programme of internal professional learning and action based research to meet the needs of all staff which has maximum impact on student outcomes.

T5 - We will provide opportunities for students to have an active voice that will positively impact upon teaching and learning.

L1 - We will further develop the QA systems and line management meeting format to embed a consistent approach across all leadership elements of the school.

L2 - We will ensure that effective systems are in place to achieve maximum impact on students whilst monitoring the financial position of the school and achieving best value.

North Kesteven School

Trustees Report (continued)

For the year ended 31 August 2016

OBJECTIVES AND ACTIVITIES (CONTINUED)

L3 - We will establish a coherent framework for governance, developing effective lines of communication between governors and staff.

L4 - We will develop a clear marketing strategy and further develop our relationships with all stakeholders. We will develop consistency of approach in all outward facing events and communication with stakeholders and the community.

L5 - We will work closely with SRPA to further develop our curriculum offer, tracking and assessment, teaching and learning, IAG and leadership and to further develop consistency across the NHJSF.

B1 - To continue to embed the whole school EPraise rewards system, maintaining consistent and effective usage of the system by all staff members in order to positively impact upon student learning behaviours.

B2 - To revise the C1/C2/ECOT systems to create a strengthened system that increases opportunities for students to demonstrate Outstanding Behaviour for Learning.

B3 - To implement and embed a new whole school Tutor Group system that provides even more support for students and capitalises on the enhanced levels of provision in order to support student welfare and readiness to learn.

B4 - To continue to monitor and quality assure all Alternative Provision (e.g. NBS, Showroom, SDC, Riseholme) ensuring that there is a positive impact upon behaviour and outcomes of identified students.

B5 - To ensure that the school meets new statutory safeguarding guidelines for September 2016 with a continued emphasis on provision surrounding E-Safety.

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 trust'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.

STRATEGIC REPORT

Achievements and Performance

The examination results in 2016 were disappointing compared to 2015 with 51% of Year 11 students achieving the key benchmark of A*-C grades in English and Maths. The school's Progress 8 score was -0.4 – a drop on the 2015 figure. Despite the drop, there were still some outstanding performances at A*/A grades, as illustrated in the results below:

P.E 100% A*-C with 35% A*/A
Italian 100% A*-C with 29% A*/A
Dance 100% A*-C with 20% A*/A
English Literature 79% A*-C with 24% A*/A
Drama 92% A*-C with 33% A*/A
Photography 97% A*-C with 45% at A*/A
REP – 79% A*-C with 17% at A*/A
Art & Design 94% A*-C with 35% A*/A

North Kesteven School

Trustees Report (continued)

For the year ended 31 August 2016

STRATEGIC REPORT (continued)

The monitoring and tracking of student performance in the core subjects of English and maths is strong and this was cascaded to EBacc subjects in 2015. SIMS mark sheets have been developed across the school, giving the ability to produce consistent and up to date assessments for all students across all subjects. Core and EBacc subject meetings are held regularly and, from the data, Progress Managers intervene with individuals and key groups to accelerate progress. It is intended for 2016 for all staff to receive training on 4Matrix, in order to further improve student tracking and progress.

The performance of our Pupil Premium students in 2016 was much improved on 2015 and this remains a key focus for the school over the course of the next year.

The Post 16 performance of the academy was also improved in 2015 with A2 results especially pleasing, 42% of grades at A*-B is an excellent figure, an improvement of over 7% from 2014. Vocational performance was outstanding, with 59% of students achieving a Distinction* grade. Our Performing Arts subjects remain at the very top nationally.

Key performance indicators

GCSE Headline Figures 2016:

| | |
|-----------------------------------|-----|
| Overall A* - C | 63% |
| English A* - C | 60% |
| Maths A* - C | 64% |
| Overall A*-C inc. Maths & English | 51% |
| Science 2x A*-C or equivalent | 35% |
| % students achieving EBacc | 9% |
| A' Level pass rate | 99% |
| AS Level pass rate | 83% |
| Attendance | 96% |

KPIs are set by the Department for Education within the term 'headline figures'. OFSTED visit schools approximately every three years. The school's Ofsted inspection of March 2015 was strong and the

GOOD judgement means that the school will now be part of the new Ofsted framework and will receive a short Ofsted inspection by March 2018.

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

Over 92% of the academy trust'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 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

Income from other sources, such as catering, are shown as unrestricted funds and comprise only 7% of the total income of the academy.

North Kesteven School

Trustees Report (continued)

For the year ended 31 August 2016

STRATEGIC REPORT (*continued*)

The academy trust 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 2015, 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 academy 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 22 to the financial statements but this is subject to periodic actuarial review and is regularly monitored by the trustees.

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 balance on restricted general reserves (excluding the pension reserve) plus unrestricted funds was £55k at 31st August 2016. The balance on the unrestricted fund comprises a designated fund of £20k in respect of the Terry O'Toole Theatre.

The current level of reserves is lower than the academy would normally expect to maintain as a result of the reported deficit in 2015/16. Whilst the academy's reserves policy does not specify an absolute value, a prudent level of reserves would normally be approximately 5% of income or circa £350k for 2015/16. However, the balance on general restricted funds is shown net of three long term capital loans of £371k repayable over the next 8 to 11 years. The available balance on reserves (excluding loans) was £406k at 31st August 2016. The Medium Term Financial Plan includes provision for the scheduled loan repayments in addition to the ongoing operating costs. The trustees therefore consider that the academy has sufficient reserves to continue to operate.

The other reserve of £1.96M represents an unrealised gain on property revaluation and would only be realised in the event of the sale of the school buildings. The Fixed Asset Fund balance of £10.65M can also only be realised on the sale of fixed assets.

Investment policy

The academy trust does not hold any long term investments. Any cash surpluses are invested in accordance with the approved Treasury Management Policy, which sets out clear criteria for the selection of financial instruments and counterparties for investment purposes.

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. The proposed introduction of a National Funding Formula has been delayed until 2018/19 and until the consultation process begins, the academy is unable to assess the potential impact of any changes in funding level. The trustees will take the opportunity to engage fully in the consultation process with the aim of securing a fair deal for the academy.

The finances of the academy are highly sensitive to the annual intakes in Year 7 and Year 12. The trustees and Accounting Officer are concerned that the disappointing examination results in 2016 may impact on the 2017/18 intake and are putting in place a number of actions designed to improve academic results in the summer of 2017. The strong reputation and results for performing arts subjects however continue to attract students to North Kesteven School.

North Kesteven School
Trustees Report (continued)
For the year ended 31 August 2016

STRATEGIC REPORT (continued)

Risk management

The trustees have assessed the major risks to which the academy trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the trust, and its finances. The academy has an approved Risk Policy and a Risk Register in place which is updated on an annual basis. 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 through the Risk Protection Arrangement (RPA).

Plans for future periods

The academy now has access to the excellent facilities of the newly refurbished North Kesteven Centre which re-opened on 1st July 2016 after a major capital investment scheme of £3.6M. The Centre is on the same site as the school and used by the school under a Chance to Share arrangement with Lincolnshire County Council and North Kesteven District Council. The 3G pitch, dance studios and spinning studio were in operation in 2015/16 and the project was completed in time for 2016/17 with a fully refurbished swimming pool, learner pool and state of the art leisure slide.

The academy has a clear site impact plan with a full programme of re-decoration, refurbishment and furniture replacement in place augmented by radical and significant changes externally including new fencing, full decoration of the main teaching block externally and landscaping of key areas.

The most significant capital development currently in the planning stage is the additional classrooms required to support the proposed uplift in the academy's planned admission number (PAN) from 240 to 270 to meet the forecast demographic increase in 2018/19. Lincolnshire County Council are leading the project and have ring-fenced funding under the Basic Needs Fund to support the required capital programme. For North Kesteven School, this would mean a new 5 Classroom block and remodelling of some existing classrooms to provide additional science teaching laboratories. The academy is working with LCC to identify the capital and revenue investment required for the proposed additional one form entry.

The school's 10 day timetable is giving the degree of flexibility required to meet the demands of the curriculum, assessment and qualification changes scheduled for the next few years. The timetable was reviewed by a nationally renowned consultant who indicated that plans were robust, sensible and well placed to allow the academy to continue to offer a broad, balanced curriculum with academic, vocational and creative pathways. The academy has received national acclaim with the award of Artsmark Gold and this will give great impetus and credibility to future recruitment of students.

Staffing costs have been reduced through the redundancy process in 2015-16. Any necessary teaching recruitment has been, and will continue to be, primarily centred on teachers with 1 to 3 years of experience. However, the philosophy of encouraging staff to develop their skills and experience is a cornerstone of our Professional Learning programme and inevitably leads to promotion opportunities for some. As we recruit we will adopt a strategy to recruit from within as we are a member of the Lincolnshire Teaching School Alliance. We have six trainees across various departments within the school from which, should any recruitment be necessary, we will endeavour to recruit. In the medium term this membership of LTSA and its status as a SCITT (School Centred Initial Teacher Training) centre will be vital in our budget strategy.

North Kesteven School
Trustees Report (continued)
For the year ended 31 August 2016

Auditor

Insofar as the trustees are aware:

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

Forrester Boyd, Chartered Accountants, have indicated their willingness to be reappointed for another term and are deemed reappointed.

The Trustees Annual Report, incorporating the Strategic Report, was approved by the board of trustees as the company directors on 28th November 2016 and signed on the board's behalf by:



M A Taylor
Chair
28th November 2016

North Kesteven School

Governance Statement

For the year ended 31 August 2016

Scope of responsibility

As trustees, we 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 Accounting Officer, for ensuring financial controls conform to 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 Trustees' Report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 11 times during the year. Attendance during the year at meetings of the trustees was as follows:

| Trustee | Meetings attended | Out of a possible |
|---|-------------------|-------------------|
| M A Taylor (Chair – appointed 28 th September 2015, elected Chair 12 th April 2016) | 11 | 11 |
| N Tutty (Chair – resigned 28 th February 2016) | 5 | 5 |
| R Barrett | 11 | 11 |
| J Burnett | 10 | 11 |
| M Connor | 10 | 11 |
| N Cooper | 11 | 11 |
| M Gallimore | 10 | 11 |
| D Garfoot | 11 | 11 |
| D Kershaw (resigned 8 th February 2016) | 2 | 5 |
| R Shore | 9 | 11 |
| J Sloan | 7 | 11 |

Governance reviews

There have been no governance reviews during the course of 2015/16 but the situation has been assessed and reviews of various different natures e.g. committee structures, staff pay and performance, will be undertaken throughout the forthcoming financial year.

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 internal audit, 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 (continued)

For the year ended 31 August 2016

Attendance at meetings of the Finance and Audit Committee in the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|--|-------------------|-------------------|
| N Tutty (resigned 28 th February 2016) | 3 | 3 |
| M A Taylor (appointed 28 th September 2015) | 3 | 3 |
| R Barrett (Chair) | 7 | 7 |
| M Connor | 6 | 7 |
| J Sloan | 2 | 3 |

Review of Value for Money

The Accounting Officer has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the academy trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the academy trust has delivered improved value for money during the year by:

- Using in-house site staff extensively for improvement projects and routine maintenance activities
- Limiting recruitment to teachers in first phase of career
- Creating in-house solutions to staffing changes wherever possible
- Ensuring key projects were managed extremely carefully and efficiently
- Making key strategic decisions to mitigate risk and limit financial commitments
- Maintaining the school's three key curriculum strands of vocational, academic and creative pathways
- Capitalising fully on the strong Ofsted report
- Maintaining the school's positive destinations data

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 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The trustees have 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 ended 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

North Kesteven School
Governance Statement (continued)
For the year ended 31 August 2016

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- 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;
- setting targets to measure financial and other performance;
- identification and management of risks.

The board of trustees considered the need for a specific internal audit function during the year and have appointed Nicholson's, Chartered Accountants as internal auditor. A programme of internal audit work has been agreed by the Finance & Audit Committee and the first internal audit review took place before the end of the financial year.

The internal auditor's role includes performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- testing of purchase systems
- testing of control account/bank reconciliations

Review of effectiveness

The Accounting Officer 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 internal auditor
- 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 28th November 2016 and signed on its behalf by:



M A Taylor
Chair



N Wilkinson-McKie
Accounting Officer

North Kesteven School

Statement on Regularity, Propriety and Compliance

For the year ended 31 August 2016

As Accounting Officer of North Kesteven School, I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. 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 board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's Funding Agreement and the Academies Financial Handbook.

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



N Wilkinson-McKie
Accounting Officer

28th November 2016

North Kesteven School

Statement of Trustees' Responsibilities

For the year ended 31 August 2016

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

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the 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 trustees' are required to:

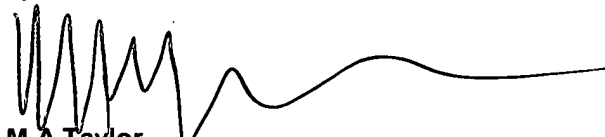
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards [FRS 102] have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

The trustees are responsible for ensuring that in its conduct and operation, the charitable company applies financial and other controls which conform to 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 trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 28th November 2016 signed on its behalf by:



M A Taylor
Chair

North Kesteven School

Independent Auditor's Report

For the year ended 31 August 2016

Independent Auditor's Report to the members of North Kesteven School

We have audited the financial statements of North Kesteven School for the year ended 31 August 2016 which comprise (specify the titles of the primary statements such as the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the academy trust'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 academy trust'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 academy trust and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 15, the trustees (who act as trustees for the charitable activities of the charitable company, and 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 academy trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report² to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2016, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

North Kesteven School

Independent Auditor's Report

For the year ended 31 August 2016

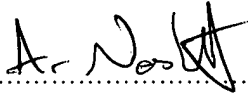
Opinion on other requirement of the Companies Act 2006

In our opinion the information given in the Trustees' Report including the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Alan Nesbitt BA FCA (Senior Statutory Auditor)
For and on behalf of Forrester Boyd,
Waynflete House
139 Eastgate
Louth
Lincolnshire
LN11 9QQ

Date: 12/12/16

North Kesteven School

Statement of Financial Activities (including Income and Expenditure Account)

For the year ended 31 August 2016

| | Note | Unrestricted Funds £000 | Restricted General Funds £000 | Restricted Fixed Asset Funds £000 | Total 2016 £000 | Total 2015 £000 |
|--|-----------|-------------------------------|--|---|-----------------------|-----------------------|
| Income and endowments from: | | | | | | |
| Donations and capital grants | 2 | 22 | - | 27 | 49 | 41 |
| Charitable activities: | | | | | | |
| Academy Trust's educational operations | 4 | - | 6,578 | - | 6,578 | 6,717 |
| Other trading activities | 3 | 360 | 127 | - | 487 | 487 |
| Investment income | | 2 | - | - | 2 | 1 |
| Total | | 384 | 6,705 | 27 | 7,116 | 7,246 |
| Expenditure | | | | | | |
| Cost of raising funds | 5 | - | - | - | - | - |
| Charitable activities: | | | | | | |
| Academy Trust's educational operations | 6 | - | 7,292 | 232 | 7,524 | 7,522 |
| Other trading activities | | 360 | - | - | 360 | 450 |
| Total | 5 | 360 | 7,292 | 232 | 7,884 | 7,972 |
| Net income/(expenditure) | | 24 | (587) | (205) | (768) | (726) |
| Transfers between funds | 13 | (399) | 274 | 125 | - | - |
| Net expenditure for the year | | (375) | (313) | (80) | (768) | (726) |
| Other recognised gains and losses: | | | | | | |
| Revaluation of school buildings | | - | - | 1,956 | 1,956 | |
| Actuarial gains/(losses) on defined benefit pension scheme | 22 | - | (1,182) | - | (1,182) | 45 |
| Net movement in funds | | (375) | (1,495) | 1,876 | 6 | (681) |
| Reconciliation of funds | | | | | | |
| Total funds brought forward | | 395 | (1,598) | 10,726 | 9,523 | 10,204 |
| Total funds carried forward | 13 | 20 | (3,093) | 12,602 | 9,529 | 9,523 |

All of the Academy Trust's activities derive from continuing operations during the above financial years.

The notes on pages 21 to 39 form part of these financial statements.

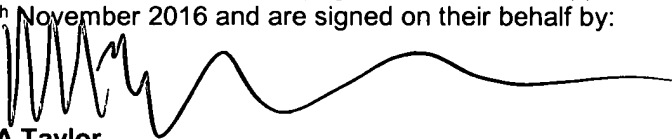
North Kesteven School

Balance Sheet as at 31 August 2016

Company Number: 07657605

| | Note | 2016 £000 | 2016 £000 | 2015 £000 | 2015 £000 |
|---|-------|----------------|---------------------|----------------|---------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 12,602 | | 10,726 |
| Current assets | | | | | |
| Debtors | 11 | 189 | | 128 | |
| Cash at bank and in hand | | <u>722</u> | | <u>1,354</u> | |
| | | 911 | | 1,482 | |
| Creditors: amounts falling due within one year | 12 | <u>(517)</u> | | <u>(530)</u> | |
| Net current assets | | | <u>394</u> | | <u>952</u> |
| Total assets less current liabilities | | | 12,996 | | 11,678 |
| Creditors: amounts falling due after more than one year | | | <u>(339)</u> | | <u>(371)</u> |
| Net assets excluding pension liability | | | <u>12,657</u> | | <u>11,307</u> |
| Pension scheme liability | 22 | | <u>(3,128)</u> | | <u>(1,784)</u> |
| Total net assets | | | <u><u>9,529</u></u> | | <u><u>9,523</u></u> |
| Funds of the academy trust: | | | | | |
| Restricted funds | | | | | |
| Fixed asset fund | 13 | 10,646 | | 10,726 | |
| Other Reserve | 13 | 1,956 | | - | |
| General fund | 13 | <u>35</u> | | <u>186</u> | |
| Restricted funds excluding pension reserve | | 12,637 | | 10,912 | |
| Pension reserve | 13,22 | <u>(3,128)</u> | | <u>(1,784)</u> | |
| Total restricted funds | | | 9,509 | | 9,128 |
| Total unrestricted funds | 13 | | <u>20</u> | | <u>395</u> |
| Total funds | | | <u><u>9,529</u></u> | | <u><u>9,523</u></u> |

The financial statements on pages 18 to 39 were approved by the trustees and authorised for issue on 28th November 2016 and are signed on their behalf by:


M A Taylor
Chair

The notes on pages 21 to 39 form part of these financial statements.

North Kesteven School

Statement of Cash Flows

For the year ended 31 August 2016

| | Notes | 2016 £000 | 2015 £000 |
|---|-------|--------------|--------------|
| Net cash flow from operating activities | 17 | (509) | (61) |
| Returns on investments and servicing of finance | 18 | 2 | 1 |
| Capital expenditure | 19 | (125) | (405) |
| (Decrease)/Increase in cash in the year | 20 | <u>(632)</u> | <u>(465)</u> |
| Reconciliation of net cash flow to movement in net funds | | | |
| Net funds at 1 September | | <u>1,354</u> | <u>1,819</u> |
| Net funds at 31 August | 20 | <u>722</u> | <u>1,354</u> |

The notes on pages 21 to 39 form part of these financial statements

North Kesteven School

Notes to the Financial Statements

For the year ended 31 August 2016

1. Statement of accounting policies

Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by the EFA, the Charities Act 2011 and the Companies Act 2006.

North Kesteven School meets the definition of a public benefit entity under FRS 102.

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 in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future, and there are no material uncertainties about the academy trust ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

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

- Grants

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 entitlement occurs before income is received, the income is accrued.

General Annual Grant (GAG) is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Other grants are recognised in the period in which they are receivable to the extent the conditions of funding have been met. Where income is received in advance of entitlement its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met.

- 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 the receipt is probable and it can be measured reliably.

- Donations

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

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

1. Statement of accounting policies (*continued*)

- **Other income**

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

- **Donated goods, facilities and services**

Donated goods for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it practical to assess the fair value at receipt, it is recognised in stock and "Income from other trading activities". Upon sale, the value of the stock is charged against "Income from other trading activities" and the proceeds are recognised as "Income from other trading activities". Where it is impractical to fair value the items, they are not recognised in the financial statements until they are sold.

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

- **Interest receivable**

Interest receivable is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

Expenditure

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

- **Expenditure on raising funds**

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

1. Statement of accounting policies (*continued*)

Intangible fixed assets

Intangible assets costing £1,000 or more are capitalised and recognised where the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at costs and subsequently carried at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at a rate calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

| | |
|-----------------------------|-----------|
| Purchased computer software | - 3 years |
|-----------------------------|-----------|

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets, initially measured at cost. Assets, excluding property, are then carried at historic cost, net of depreciation and any provision for impairment. Property assets are carried in the balance sheet at current value and are revalued with sufficient regularity (every five years as a minimum) to ensure that the carrying value is not materially different from their current value. Increases in value are recognised in Other Reserves as unrealised gains. Where there is a balance of revaluation gains for the asset in this reserve, decreases in value are written down against that balance. Where there is no balance on the reserve, decreases in value are recognised in the Statement of Financial Activities.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where the related grants require the asset to be held for a specific purpose they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy, the corresponding amount charged to the restricted fixed asset fund in the Statement of Financial Activities.

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 | - 50 years |
| Furniture and equipment | - 10 years |
| Motor vehicles | - 7 years |
| Computer equipment | - 5 years |

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.

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

1. Statement of accounting policies (*continued*)

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') (until April 2016), 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 trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the government actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in Note 22, 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.

Fund accounting

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

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

Restricted general funds are resources subject to specific restrictions imposed by funders or donors and include grants from the Education Funding Agency or the Department for Education.

Agency arrangements

The academy trust acts as an agent in administering 16-19 Bursary Funds from the EFA. Related payments received from the EFA and disbursements to students are excluded from the Statement of Financial Activities to the extent that the academy trust does not have a beneficial interest in the individual transactions. The allowance of 5% as a contribution to administration costs is however recognised in Statement of Financial Activities. Where funds have not been fully applied in the year then an amount will be included as amounts due to the EFA.

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

2. Donations and Capital Grants

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2016 £000 | Total 2015 £000 |
|------------------------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|
| DfE/EFA capital grant for building | - | 27 | 27 | 29 |
| Other donations | 22 | - | 22 | 12 |
| | <u>22</u> | <u>27</u> | <u>49</u> | <u>41</u> |

3. Other trading activities

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2016 £000 | Total 2015 £000 |
|-------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|
| Catering income | 307 | - | 307 | 295 |
| Other income | 53 | 127 | 180 | 191 |
| Investment income | 2 | - | 2 | 1 |
| | <u>362</u> | <u>127</u> | <u>489</u> | <u>487</u> |

4. Funding for Academy Trust's educational operations

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2016 £000 | Total 2015 £000 |
|--------------------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|
| DfE/EFA grants | | | | |
| General Annual Grant (GAG) | - | 6,177 | 6,177 | 6,348 |
| Other DfE/EFA grants | - | 280 | 280 | 220 |
| | <u>-</u> | <u>6,457</u> | <u>6,457</u> | <u>6,568</u> |
| Other Government grants | | | | |
| Special education projects | - | 121 | 121 | 149 |
| Total | <u>-</u> | <u>6,578</u> | <u>6,578</u> | <u>6,717</u> |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

5. Resources expended

| | Staff costs £000 | Non pay expenditure Premises £000 | Other costs £000 | Total 2016 £000 | Total 2015 £000 |
|---|------------------------|---|------------------------|-----------------------|-----------------------|
| Expenditure on raising funds | - | - | - | - | - |
| Other trading activities | 185 | - | 175 | 360 | 450 |
| Academy Trust's educational operations | | | | | |
| - Direct costs | 5,194 | - | 514 | 5,708 | 4,820 |
| - Allocated support costs | 759 | 680 | 377 | 1,816 | 2,660 |
| | <u>5,953</u> | <u>680</u> | <u>891</u> | <u>7,524</u> | <u>7,480</u> |
| Total resources expended | <u>6,138</u> | <u>680</u> | <u>1,066</u> | <u>7,884</u> | <u>7,930</u> |

Net income/(expenditure) for the period includes:

| | 2016 £000 | 2015 £000 |
|--------------------------------------|--------------|--------------|
| Depreciation | 232 | 531 |
| Fees payable to auditor for: | | |
| - audit | 8 | 12 |
| - other services | 1 | 6 |
| Operating lease rentals paid in year | 30 | 28 |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

6. Charitable Activities – Academy's educational operations

| | 2016 £000 | 2015 £'00 |
|--|--------------|--------------|
| Direct costs: | | |
| Teaching and educational support staff costs | 5,194 | 4,386 |
| Educational supplies | 102 | 100 |
| Educational visits | 122 | 12 |
| Examination fees | 126 | 134 |
| Staff development | 10 | 17 |
| Educational consultancy | 126 | 151 |
| Other direct costs | 28 | 20 |
| | <u>5,708</u> | <u>4,820</u> |
| Allocated support costs: | | |
| Support staff costs | 759 | 1,007 |
| Depreciation | 232 | 531 |
| Recruitment and support | 8 | 44 |
| Premises costs | 448 | 431 |
| Insurance | 51 | 55 |
| Security and transport | 12 | 7 |
| Bank interest and charges | 23 | 25 |
| Other support costs | 272 | 582 |
| Governance costs | 11 | 20 |
| | <u>1,816</u> | <u>2,702</u> |
| Total | <u>7,524</u> | <u>7,522</u> |

7. Staff numbers and costs

Staff costs

| Staff costs during the year were: | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Wages and salaries | 4,773 | 4,596 |
| Social security costs | 379 | 194 |
| Operating costs of defined benefit pension schemes | 938 | 790 |
| Total Staff costs | <u>6,090</u> | <u>5,580</u> |
| Staff restructuring costs | 48 | - |
| Total | <u>6,138</u> | <u>5,580</u> |

The restructuring costs shown above are comprised of statutory redundancy payments only.

Staff numbers

The average number of persons (including senior management team) employed by the academy during the year was as follows:

| | 2016 No. | 2015 No. |
|----------------------------|-------------|-------------|
| Teachers | 88 | 87 |
| Administration and support | 92 | 89 |
| Management | 9 | 8 |
| | <u>189</u> | <u>184</u> |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

The average number of persons (including senior management team) employed by the Academy during the year expressed as full time equivalents was 152.

Higher paid staff

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

| | 2016 No. | 2015 No. |
|---------------------|-------------|-------------|
| £60,001 - £70,000 | 2 | 2 |
| £100,001 - £110,000 | 1 | 1 |

All of the above employees participated in the Teachers' Pension Scheme, a defined benefit scheme.

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior leadership team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by the key management personnel for their services to the academy trust was £641,628 (2015: £574,544)

8. Trustees' remuneration and expenses

The Headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff members under their contracts of employment and not in respect of their services as trustees. Other Trustees did not receive any payments from the academy trust in respect of their role as Trustees.

M Connor (the Headteacher), received remuneration of £103,060 in 2016 (2015: £102,039) and is accruing retirement benefits under the Teacher's Pension Scheme. The contributions paid in the year amounted to £16,984 (2015: £14,388).

M Gallimore (staff trustee), received remuneration of £18,987 in 2016 (2015: £18,316) and is accruing retirement benefits under the Local Government Pension Scheme. The contributions paid in the year amounted to £3,770 (2015: £3,428).

R Shore (staff trustee), received remuneration of £21,222 in 2016 (2015: £20,501).

During the year to 31 August 2016, £nil travel and subsistence expenses were reimbursed to trustees (2015: £nil).

Related party transactions involving the Trustees are set out in note 23.

9. Trustees' and officers' insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2016 was £1,000 (2015: £1,000).

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

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

10. Tangible fixed assets

| | Freehold land & buildings £000 | Furniture, equipment & vehicles £000 | Computer equipment £000 | Total 2016 £000 |
|--|---|---|-------------------------------|-----------------------|
| Cost | | | | |
| 1 September 2015 | 12,422 | 287 | 66 | 12,775 |
| Additions | 123 | 14 | 15 | 152 |
| Revaluation increase/(decrease) | (162) | - | - | (162) |
| 31 August 2016 | 12,383 | 301 | 81 | 12,765 |
| Depreciation | | | | |
| 1 September 2015 | 1,935 | 83 | 31 | 2,049 |
| Charged in year | 183 | 38 | 11 | 232 |
| Depreciation written out on revaluation | (2,118) | - | - | (2,118) |
| 31 August 2016 | - | 121 | 42 | 163 |
| Net book values | | | | |
| 31 August 2016 | 12,383 | 180 | 39 | 12,602 |
| 31 August 2015 | 10,487 | 204 | 35 | 10,726 |

Included in the total cost of freehold land & building of £12,383,000 is £1,410,000 of land which is not depreciated.

The school buildings were revalued at 31 March 2016. The valuation has been carried out in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. The valuation was undertaken by Mr G Tyerman MRICS, on behalf of Kier.

11. Debtors

| | 2016 £000 | 2015 £000 |
|--------------------------------|--------------|--------------|
| Trade debtors | 52 | 41 |
| Prepayments and accrued income | 110 | 46 |
| VAT | 18 | 36 |
| Other debtors | 9 | 5 |
| | <u>189</u> | <u>128</u> |

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

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

12. Creditors: amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|--------------------------------------|--------------|--------------|
| Trade creditors | 98 | 228 |
| Taxation & social security creditors | 136 | 122 |
| Other creditors | 147 | 67 |
| Accruals and deferred income | 136 | 112 |
| | <u>517</u> | <u>530</u> |
| Deferred income: | | £000 |
| Deferred income at 1 September 2015 | | 15 |
| Income deferred in the year | | 14 |
| Amounts released from previous years | | (15) |
| Deferred income at 31 August 2016 | | <u>14</u> |

At the balance sheet date the academy trust had received income in respect of the 2016/17 rates subsidy, of which £14k relates to the next academic year.

Creditors : amounts falling due after more than one year

| | 2016 £000 | 2015 £000 |
|--------------------------------------|--------------|--------------|
| Loans inherited on conversion | | |
| Amounts due within 2 to 5 years | 145 | 138 |
| Amounts due after more than 5 years | 194 | 233 |
| | <u>339</u> | <u>371</u> |

The balance above is comprised of three separate capital loans with Lincolnshire County Council which were transferred to the academy trust on conversion. The original maturity periods of all three loans were 25 years and all are repayable in twice yearly instalments. Two of the loans are repayable by 2027 and have interest rates of 6.0% and 5.625%; the remaining loan will be repaid in 2024 and bears an interest rate of 5.25%. The amounts repayable within one year are included in current liabilities (2016 - £31,725; 2015 - £30,059).

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

13. Funds

| | Balance at 1 September 2015 £000 | Income £000 | Expenditure £000 | Gains, losses & transfers £000 | Balance at 31 August 2016 £000 |
|---|--|---------------------|-----------------------|---|--|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 587 | 6,177 | (6,602) | 244 | 406 |
| Pupil Premium | - | 280 | (280) | - | - |
| Local Authority grants | - | 121 | (121) | - | - |
| Other restricted income | - | 127 | (127) | - | - |
| Inherited loan | (401) | - | - | 30 | (371) |
| Pension reserve | (1,784) | - | (162) | (1,182) | (3,128) |
| | <u>(1,598)</u> | <u>6,705</u> | <u>(7,292)</u> | <u>(908)</u> | <u>(3,093)</u> |
| Restricted fixed asset funds | | | | | |
| DfE/EFA capital grants | 990 | 27 | - | - | 1,017 |
| Capital expenditure from GAG or other funds | 416 | - | - | 125 | 541 |
| Assets transferred on conversion | 9,320 | - | (232) | - | 9,088 |
| Other reserve | - | - | - | 1,956 | 1,956 |
| | <u>10,726</u> | <u>27</u> | <u>(232)</u> | <u>2,081</u> | <u>12,602</u> |
| Total restricted funds | 9,128 | 6,732 | (7,524) | 1,173 | 9,509 |
| Unrestricted funds | | | | | |
| - General | 375 | 384 | (360) | (399) | - |
| - Designated Theatre fund | 20 | - | - | - | 20 |
| Total unrestricted funds | <u>395</u> | <u>384</u> | <u>(360)</u> | <u>(399)</u> | <u>20</u> |
| Total funds | <u>9,523</u> | <u>7,116</u> | <u>(7,884)</u> | <u>774</u> | <u>9,529</u> |

During the year a transfer of £274K was made from unrestricted funds to restricted general funds. The trust has historically generated large amounts of unrestricted income and made the decision to transfer this amount to support the restricted funds.

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

Restricted general funds

General Annual Grant (GAG), other DfE/EFA grants and local authority grants are to be applied for the primary purpose of the Academy Trust in line with the master funding agreement and other specific funding letters.

Restricted fixed asset funds

The restricted fixed asset funds relate predominantly to the assets acquired on conversion to an Academy Trust, being the property. The other reserve represents the unrealised gain on revaluation of the main school buildings.

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

Unrestricted funds

Unrestricted funds represent other incoming resources to the Trust applied for the general purposes of the Trust at the discretion of the Trustees. The designated Theatre fund is held as a contingency for emergency expenses such as repairs and maintenance.

14. Analysis of net assets between funds

| | Unrestricted funds £000 | Restricted general funds £000 | Restricted fixed asset funds £000 | Total funds £000 |
|--------------------------|-------------------------------|--|---|------------------------|
| Tangible fixed assets | - | - | 12,602 | 12,602 |
| Current assets | 20 | 891 | - | 911 |
| Current liabilities | - | (517) | - | (517) |
| Long term liabilities | - | (339) | - | (339) |
| Pension scheme liability | - | (3,128) | - | (3,128) |
| Total net assets | 20 | (3,093) | 12,602 | 9,529 |

15. Capital commitments

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Contracted for, but not provided in the financial statements | - | - |

16. Commitments under operating leases

Operating leases

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

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Amounts due within one year | 12 | 30 |
| Amounts due between one and five years | - | 12 |
| | 12 | 42 |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

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

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Net income for the year | (768) | (726) |
| Depreciation (note 11) | 232 | 528 |
| Capital grants from DfE and other capital income | (27) | (29) |
| Interest receivable | (2) | (1) |
| FRS 102 pension cost less contributions payable (note 22) | 93 | 96 |
| FRS 102 pension finance costs (note 22) | 69 | 63 |
| Decrease/(increase) in debtors | (61) | (293) |
| (Decrease)/increase in creditors | (45) | 442 |
| Net cash (outflow)/inflow from operating activities | (509) | (61) |

18. Returns on investments and servicing of finance

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Interest received | 2 | 1 |
| Net cash inflow from returns on investment and servicing of finance | 2 | 1 |

19. Capital expenditure and financial investment

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Purchase of tangible fixed assets | (152) | (434) |
| Capital grants from DfE/EFA | 27 | 29 |
| Net cash (outflow)/inflow from capital expenditure and financial investment | (125) | (405) |

20. Analysis of changes in net funds

| | At 1 September 2015 £000 | Cash flows £000 | At 31 August 2016 £000 |
|--------------------------|-----------------------------------|-----------------------|---------------------------------|
| Cash in hand and at bank | 1,354 | (632) | 722 |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

21. 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.

22. Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for 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 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year for the TPS. Contributions of £24,910 (2015: £22,567) were payable to the LGPS at 31 August 2016 and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pensions Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and from 1 April 2014, by the Teachers' Pensions Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as-you-go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2012 in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published in June 2014. The key elements of the valuation and subsequent consultation are:

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

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

22. Pension and similar obligations (continued)

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

The pension costs paid to TPS in the year amounted to £861,000 (2015: £770,000).

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

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The academy trust has set out 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 2016 was £293,000 (2015: £259,000) of which employer's contributions totalled £224,000 (2015: £196,000) and employees' contributions totalled £69,000 (2015: £63,000). The agreed contribution rates for future years are, on average 6.45% for employees and 20.9% for employers.

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

Principal Actuarial Assumptions

| | At 31 August 2016 | At 31 August 2015 |
|-----------------------|-------------------------|-------------------------|
| Pension Increase Rate | 2.1% | 2.7% |
| Salary Increase Rate | 3.6% | 4.1% |
| Discount rate | 2.1% | 3.8% |

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 2016 | At 31 August 2015 |
|---------------------------|-------------------------|-------------------------|
| <i>Current pensioners</i> | | |
| Males | 22.2 | 22.2 |
| Females | 24.4 | 24.4 |
| <i>Future pensioners</i> | | |
| Males | 24.5 | 24.5 |
| Females | 26.8 | 26.8 |

The estimated split of assets as at 31 August is shown below with the academy trust's share of assets and liabilities.

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

22. Pension and similar obligations (continued)

| | Estimated split of assets at 31 August 2016 | Fair value at 31 August 2016 £'000 | Estimated split of assets at 31 August 2015 | Fair value at 31 August 2015 £'000 |
|---------------------------------------|---|--|---|--|
| Equities | 77% | 2,230 | 75% | 1,645 |
| Bonds | 13% | 376 | 13% | 285 |
| Property | 10% | 290 | 12% | 263 |
| Cash | 0% | - | 0% | - |
| Total market value of assets | | 2,896 | | 2,193 |
| Present value of funded liabilities | | (6,024) | | (3,977) |
| Present value of unfunded liabilities | | - | | - |
| Deficit in the scheme | | (3,128) | | (1,784) |

The actual return on scheme assets was £460,000 (2015: £49,000).

Amount recognised in the statement of financial activities

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Current service cost (net of employee contributions) | (316) | (292) |
| Past service cost | - | - |
| Total operating charge | (316) | (292) |
| Analysis of pension finance income/(costs) | | |
| Expected return on pension scheme assets | 88 | 75 |
| Interest on pension liabilities | (157) | (138) |
| Pension finance costs | (69) | (63) |

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

| | 2016 £'000 | 2015 £'000 |
|------------------------|---------------|---------------|
| At 1 September | 3,977 | 3,579 |
| Current service cost | 316 | 292 |
| Employee contributions | 69 | 63 |
| Actuarial (gain)/loss | 1,554 | (71) |
| Interest cost | 157 | 138 |
| Benefits paid | (49) | (24) |
| At 31 August | 6,024 | 3,977 |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

22. Pension and similar obligations (continued)

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

| | | |
|---------------------------|--------------|--------------|
| At 1 September | 2,193 | 1,909 |
| Expected return on assets | 88 | 75 |
| Actuarial gain/(loss) | 372 | (26) |
| Employer contributions | 223 | 196 |
| Employee contributions | 69 | 63 |
| Benefits paid | (49) | (24) |
| At 31 August | 2,896 | 2,193 |

The five year history of scheme assets and liabilities is as follows:

| | 2016 £000 | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 |
|--|----------------|----------------|----------------|----------------|----------------|
| Present value of defined benefit obligations | (6,024) | (3,977) | (3,579) | (2,650) | (2,239) |
| Fair value share of scheme assets | 2,896 | 2,193 | 1,909 | 1,582 | 1,157 |
| Deficit in the scheme | (3,128) | (1,784) | (1,670) | (1,068) | (1,082) |

23. Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the board of governors being drawn from local public and private sector organisations, 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.

No related party transactions took place in the year.

24. Agency arrangements

The Academy Trust administers the disbursements of the new discretionary support for learners, 16-19 Bursary Funds, on behalf of the EFA. In the year it received £20,156 (2015: £19,945) and disbursed £20,156 (2015: £19,518). The Academy Trust has not retained a beneficial interest in individual transactions in 2015/16 (2015: £427) such that £nil has been recognised in income and expenditure in the Statement of Financial Activities.

25. Contingent liabilities

The academy trust completed a staff restructuring programme during the year, the result of which was a number of compulsory redundancies effective on 31st August 2016. There exists the possibility of legal challenge in respect of these decisions and claims may subsequently be submitted. The academy trust has taken extensive legal advice throughout the process and believes that such claims, if received, would be successfully defended. No claims have yet been submitted therefore no provision has been made for this contingency. In the absence of definite claims, no estimate can yet be made of the value of the potential contingent liability.

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

26. Transition to FRS 102

First time adoption of FRS 102

These financial statements are the first financial statements of North Kesteven School prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of North Kesteven School for the year ended 31 August 2016 were prepared in accordance with previously Generally Accepted Practice (UK GAAP) and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 "Transition to this FRS".

Explanation of transition to FRS 102

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

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on the total funds and income & expenditure for the comparative period (reported under previous UK GAAP and SORP 2005) are set out below.

| | Note | At 1 September 2014 £000 | At 31 August 2015 £000 |
|--|------|-----------------------------------|------------------------------|
| Reconciliation of funds | | | |
| Total funds as previously reported | | 10,204 | 9,523 |
| Total funds as restated under FRS 102 | | 10,204 | 9,523 |
| Reconciliation of net income/(expenditure) | | | £000 |
| Net expenditure as previously reported | | | (684) |
| Change to LGPS net interest cost | | | (42) |
| Net expenditure as restated under FRS 102 | | | (726) |
| Reconciliation of Other Recognised Gains & Losses | | | £000 |
| Actuarial gain on LGPF as previously reported | | | 3 |
| Change to LGPS net interest cost | | | 42 |
| Actuarial gain as restated under FRS 102 | | | 45 |

North Kesteven School

Notes to the Financial Statements (continued)

For the year ended 31 August 2016

26. Transition to FRS 102 (cont'd)

There has been no change to the net pension deficit reported in the balance sheet at 1 September 2014 or 31 August 2015 but the effect of the adoption of FRS 102 has been to increase the pension finance cost recognised in net expenditure by £42,000 and increase the actuarial gain recognised in other recognised gains & losses by a corresponding amount.

NORTH KESTEVEN SCHOOL

Independent Reporting Accountant's Assurance Report on Regularity

For the year ended 31 August 2016

Independent Reporting Accountant's Assurance Report on Regularity to North Kesteven School and the Education Funding Agency

In accordance with the terms of our engagement letter dated 1st June 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by North Kesteven School during the period 1st September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to North Kesteven School and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to North Kesteven School 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 North Kesteven School and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of North Kesteven School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of North Kesteven School's funding agreement with the Secretary of State for Education dated 8th July 2011 and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st September to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by 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.

NORTH KESTIVEN SCHOOL

Independent Reporting Accountant's Assurance Report on Regularity

For the year ended 31 August 2016

The work undertaken to draw our conclusions includes:

- evaluating the systems and control environment;
- assessing the risk of irregularity, impropriety and non-compliance;
- confirming that the activities of the academy are in keeping with the academy's framework and the charitable objectives; and
- obtaining representations from the accounting office and key management personnel.

Conclusion

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



Alan Nesbitt BA FCA (Reporting Accountant)
For and on behalf of Forrester Boyd, Chartered Accountants,
Waynflete House
139 Eastgate
Louth
Lincolnshire
LN11 9QQ

Date: 12/12/16