

**NORTH KESTIVEN SCHOOL
(A Company Limited by Guarantee)
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

Registered Number 07657605 (England and Wales)

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NORTH KESTEVEN SCHOOL
FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2014

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NORTH KESTEVEN SCHOOL
REFERENCE & ADMINISTRATIVE DETAILS
YEAR ENDED 31 AUGUST 2014

Members	N Tutty J Barrie
Trustees	N Tutty (Chair)* C Sproson* (resigned December 2013) F McGrath* (staff trustee) F Barrett (resigned July 2014) J Hutchinson J Barrie* J Burnett L Watkins Groves M Hardesty (staff trustee) M Connor* (Headteacher & Accounting Officer) N Tutty R Eyre S Lloyd (resigned July 2014) R Barrett (appointed June 2014) D Kershaw D Garfoot M Gallimore (staff trustee) (appointed February 2014) JP Sloan (appointed February 2014) N Cooper (appointed October 2013) R Shore (staff trustee) (appointed 1 September 2013) *Members of the Finance and HR Committee
Company Secretary	C Goodenough (resigned 30 April 2014) R Goldsworthy (appointed 1 May 2014)
Senior Leadership Team:	
Headteacher	M Connor
Finance Director	C Brooking
Deputy Headteacher	A Fox
Deputy Headteacher	R Mellows
Assistant Headteacher	K Jones
Assistant Headteacher	A Sandbrook
Assistant Headteacher	J Tunnicliffe
Assistant Headteacher	B Smith
Principal and Registered Office	Moor Lane North Hykeham Lincoln LN6 9AG
Company Registration Number	07659605 (England and Wales)
Independent Auditor	Baker Tilly UK Audit LLP Suite A, 7 th Floor City Gate East, Tollhouse Hill Nottingham, NG1 5FS
Bankers	HBSC plc 221 High Street Lincoln, LN1 1TS
Solicitors	Winkworth Sherwood Minerva House 5 Montague Close London, SE1 9BB

NORTH KESTEVEN SCHOOL
TRUSTEES REPORT
YEAR ENDED 31 AUGUST 2014

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 2014.

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 1,450 and had a roll of 1,364 on the school census on 15 May 2014.

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 have indemnity Insurance cover to the value of £2,000,000. This is purchased by the school at an annual cost of £700 for a twelve month period of cover. This cover applies to all governors of the school acting in accordance with the role and professional responsibilities of the school.

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 School 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.

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.

NORTH KESTEVEN SCHOOL
TRUSTEES' REPORT (*continued*)
YEAR ENDED 31 AUGUST 2014

Structure, Governance and Management (*continued*)

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, though appointments to the senior leadership team always involve a representative of the directors.

Risk management

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

Connected organisations including related party relationships

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

Objectives and Activities

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.

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.

NORTH KESTEVEN SCHOOL
TRUSTEES' REPORT (*continued*)
YEAR ENDED 31 AUGUST 2014

Objectives and Activities (*continued*)

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

We will develop whole-school protocols for the use of prior learning and assessment data to inform lesson planning and learning by disseminating the core model to other curriculum areas, (using core examples to establish expected protocol in other non-core departments).

We will identify specific strategies to monitor students' learning during their lessons in order to assess their rate of progress against identified criteria. We will develop whole school and departmental approaches to establish new program criteria, (life without levels).

We will implement a range of specific strategies to enable all students to achieve at and above their expected rate of progress, thus narrowing the gap between interest groups and non interest groups.

We will monitor and evaluate the impact of departmental assessment routines which contribute to whole-school assessment procedures, enabling us to conduct regular checks on standards against explicit milestones for both individuals and groups of students.

We will develop our reporting structure and purpose to ensure reports are effective and consistent to ensure meaningful feedback is provided on student progress.

We will embed a curriculum model which promotes academic, creative and vocational courses to ensure students develop a wide range of life skills.

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

We will promote and record a range of opportunities to showcase the excellent curriculum and extra-curricular provision and to raise the profile of NKS locally and beyond.

We will promote opportunities for staff to create an effective KS3 curriculum which allows progress to be tracked over time and effective transition to be made from primary school. To underpin this we will promote a range of training opportunities to embed a clear understanding of the impact of curriculum changes in response to the changing national priorities for Curriculum and Qualification reform.

We will ensure that staff are fully empowered to deliver highly effective linear examination courses and controlled assessments at KS4 and 5. We will review all departments to ensure all students and staff are fully prepared for the changing assessment and qualification framework.

We will achieve greater consistency in the quality of learning and progress based on criteria of the current Ofsted framework and aligning it with our core teaching practices.

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

NORTH KESTEVEN SCHOOL
TRUSTEES' REPORT (*continued*)
YEAR ENDED 31 AUGUST 2014

Objectives and Activities (*continued*)

We will ensure all departments provide challenge for identified students to maximise their attainment.

Departments will identify best practice and share this information with all teachers to impact positively on their teaching practices.

Departments will provide opportunities annually for students to have an active voice that will positively impact upon teaching and learning.

Using a consistent QA framework based on six line management meetings we will monitor, evaluate and review all leadership responsibilities in a consistent, open and supportive fashion.

We will drive standards across the school through a coordinated CPD programme, delivering bespoke projects and enabling staff to learn from one another to share best practice. We will review impact by analysing outcomes throughout the year.

We will further develop open and clear lines of accountability to the governors of the school via reporting methods which will prepare us fully for our next Ofsted inspection and facilitate governance at a strategic level.

We will develop our relationships with all stakeholders through regular, high quality communication and events in order to develop their voice and to positively impact on our developments including the new school day. We will provide regular vehicles for feedback and act appropriately on the content. Marketing and transition will be a key focus in 2014-2015.

We will develop coherence in the NHJSF by developing the leadership, management and governance and developing the joint monitoring and evaluation of students' performance.

We will embed our behaviour policy and promote effective learning behaviours through clear sanctions and rewards and effective use of staffing structures in place in the school.

We will encourage students to be responsible for their own behaviour through effective, consistent pastoral support and close monitoring and review.

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

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

We will monitor the involvement of our students in extra-curricular activities, through marksheets and achievement records and regular review via student surveys to measure impact and outcomes.

Public benefit

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

NORTH KESTEVEN SCHOOL
TRUSTEES' REPORT (*continued*)
YEAR ENDED 31 AUGUST 2014

STRATEGIC REPORT

Achievements and Performance

The examination results in 2014 were excellent in a turbulent year with 66% of Year 11 students achieving the key benchmark of 5A*-C grades including English and Maths. The 76% 5A*-C pass rate is also very positive and well above the school's FFT target. Only two vocational qualifications were allowed in the calculations in 2014. In addition, the performance in vocational areas in Year 11 is well above average and in areas such as Engineering, Sport, Construction and the Performing Arts it is excellent.

The monitoring and tracking of student performance in the core subjects of English, maths and science is exceptionally strong and this will be cascaded to the foundation subjects in 2014-2015. The development of SIMS mark sheets across the school has been a significant achievement giving the ability to produce consistent and up to date assessments for all students across all subjects. Core subject meetings are held regularly and from the data Progress Managers and the Whole School Progress Co-ordinator intervene with individuals and key groups to accelerate progress.

The performance of our Pupil Premium students in 2013 led to national recognition and our tracking of such students in 2014-2015 will be further developed and reported as appropriate to governors and external agencies

The Post 16 performance of the academy was also improved in 2014 with A2 results especially pleasing, 36.9% of grades at A*-B is an excellent figure, an improvement of over 5% from 2013. A*/A grades also improved at A2 to 18.6% - double that of 2013. AS remained steady, although there was a slight dip in those students achieving A/B grades.

Thus, achievement in 2014 was strong and the performance of students and staff augurs well for the immediate and medium term future.

Going concern

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

Financial review

Most of the Academy's income is obtained from the Department for Education in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the Department for Education during the year ended 31 August 2014 and the associated expenditure are shown as restricted funds in the statement of financial activities.

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

Financial and risk management objectives and policies

The Academy'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.

NORTH KESTEVEN SCHOOL
TRUSTEES' REPORT (*continued*)
YEAR ENDED 31 AUGUST 2014

STRATEGIC REPORT (*continued*)

Principal risks and uncertainties

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

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

The finances of the Academy are highly sensitive to the number of pupils who are enrolled in Year 7 each year. The Trustees and Accounting Officer are confident that the examination successes and enhanced reputations of the academy will enable them to attract an increasing level of new entrants. Indeed 2013-2014 saw an unprecedented number of mid-year admissions which has helped to compensate for the slightly smaller numbers in Year 7 and Year 12. This trend is continuing in 2014-2015 with a number of new mid-year admissions already. However, Trustees and the Accounting Officer will need to plan with student volatility in mind and numbers for 2015-2016 will be challenging. Additional pressure has been created by the changes in Post 16 Funding with significant reductions in the AWPU and complicated programme of study calculations needed to be sure of maximising income.

Reserves policy

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

Investment policy

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

Key performance indicators

GCSE Headline Figures 2014:

Overall A* - C	76%
English A* - C	71%
Maths A* - C	78%
Overall A*-C inc. Maths & English	66%
Science 2x A*-C or equivalent	55%
% students achieving EBacc	17%
A' Level pass rate	98%
AS Level pass rate	85%
Attendance	95%

KPIs are set by the Department for Education within the term 'headline figures'. OFSTED visit schools approximately every three years.

Plans for future periods

EFA Funding has allowed the academy to extend the school restaurant and provide a significant meal service to a number of local primary schools. This work is now complete and the CIF bid for 2014-2015 will be submitted in December for a new 5 classroom block to replace the few remaining temporary buildings. However, the core business of teaching and learning remains a constant and financial and institutional planning will remain firmly focused on this area. The learning environment is a priority and the demographic growth indicated from 2016 will enable the academy to bid for substantial Section 106 funding to further develop the site with new classrooms to replace the few remaining temporary buildings.

NORTH KESTEVEN SCHOOL
TRUSTEES' REPORT (*continued*)
YEAR ENDED 31 AUGUST 2014

STRATEGIC REPORT (*continued*)

The school's 10 day timetable is giving the degree of flexibility required to not only deliver the curriculum this year but also 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.

The academy is also about to benefit significantly from the £3.6M rebuild and refurbishment of the North Kesteven Centre which is on the same site as the school and used by the school as part of a Chance to Share arrangement with Lincolnshire County Council and North Kesteven District Council. This will again have huge impact and coupled with the scheduled build of a further primary school in North Hykeham should be part of a strong regeneration of the immediate locality around the school.

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.

Staffing costs have been higher than average this year with a number of more experienced staff recruited. However, the philosophy of encouraging staff to develop their skills and experience is a cornerstone of our CPD 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 two trainees who will be recruited to our staff next September as they teach core subjects where permanent vacancies exist. 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.

Outstanding examination results in 2014 and a burgeoning medium term demographic would seem to suggest a very healthy future for the academy.

AUDITORS

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditors.

The trustees have confirmed that as far as they are aware there is no relevant audit information of which the auditors are unaware. Each of the trustees have confirmed that they have taken all steps that ought to have taken as trustees to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Trustees Annual Report is approved by order of the board of Trustees and the Strategic Report (included therein) is approved by the board of trustees in their capacity as the directors at a meeting on 8 December 2014 and signed on its behalf by:



N Tutty
Chair

NORTH KESTEVEN SCHOOL
GOVERNANCE STATEMENT (*continued*)
YEAR ENDED 31 AUGUST 2014

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 Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between North Kesteven School and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' responsibilities. The Board of Trustees has formally met 6 times during the year. Attendance during the year at meetings of the Trustee was as follows:

Trustee	Meetings attended	Out of a possible
F Barrett	4	6
R Barrett	2	2
J Barrie	5	6
J Burnett	5	6
M Connor	6	6
N Cooper	4	4
M Gallimore	2	3
D Garfoot	4	6
M Hardesty	6	6
J Hutchinson	5	6
D Kershaw	5	6
S Lloyd	5	6
P McCooey	1	3
F McGrath	6	6
R Shore	2	4
J Sloan	2	4
C Sproson	2	2
N Tutty (Chair)	5	6

Governance reviews

There have been no governance reviews during the course of 2013/14 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 HR Committee is a sub-committee of the main Board of Trustees. Its purpose is to propose the annual budget, review actual performance throughout the year in financial matters, review the effectiveness of financial internal controls through the Responsible Officer reporting systems, advise the Trustees on the appropriateness or otherwise of spending requests outside the delegated powers given to it and monitor and keep under review the needs and requirements of the Academy in relation to competitive tendering.

During the year R Barrett, who is a qualified accountant and J Sloan joined the committee. C Sproson and P McCooey resigned from the committee.

NORTH KESTEVEN SCHOOL
GOVERNANCE STATEMENT (*continued*)
YEAR ENDED 31 AUGUST 2014

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

Trustee	Meetings attended	Out of a possible
N Tutty	4	6
M Connor	6	6
F McGrath	6	6
J Barrie (Chair)	4	6
C Sproson	1	2
P McCooley	3	3
J Sloan	3	3
R Barrett	2	2

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 2014 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Trustees are of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Trustees through the Health & Safety Sub- Committee.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the 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 have considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, additional procedures have been agreed with the School's external auditor, Baker Tilly, which have contributed to the Board's assessment of systems in the school.

NORTH KESTIVEN SCHOOL
GOVERNANCE STATEMENT (*continued*)
YEAR ENDED 31 AUGUST 2014

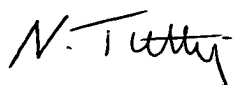
Review of effectiveness

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

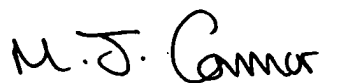
- the work of the external auditor including additional procedures;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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 8 December 2014 and signed on its behalf by:



N Tutty
Chair



M Connor
Accounting Officer

NORTH KESTEVEN SCHOOL
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
YEAR ENDED 31 AUGUST 2014

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.



M Connor
Accounting Officer

8 December 2014

NORTH KESTEVEN SCHOOL
STATEMENT OF TRUSTEES' RESPONSIBILITIES
YEAR ENDED 31 AUGUST 2014

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 issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

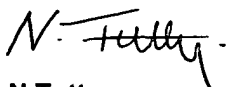
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

The Trustees are responsible for ensuring that in its conduct and operation, the Charitable Company applies financial and other controls which conform with the requirements 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 8 December 2014 signed on its behalf by:



N Tutty
Chair

NORTH KESTEVEN SCHOOL
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2014

We have audited the financial statements of North Kesteven School for the year ended 31 August 2014 on pages 16 to 34. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 13, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

Opinion on other requirement of the Companies Act 2006

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

NORTH KESTIVEN SCHOOL
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2014

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:

- the charity has not kept adequate accounting records, 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.



Philip Coleman (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS

15 December 2014

NORTH KESTEVEN SCHOOL

STATEMENT OF FINANCIAL ACTIVITIES

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

FOR THE YEAR ENDED 31 AUGUST 2014

	Note	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2014 £'000	Total 2013 £'000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	2	-	28	406	434	305
Transfer from Local Authority on conversion		-	-	-	-	(110)
Activities for generating funds	3	379	191	-	570	454
Investment income		1	-	-	1	1
<i>Incoming resources from charitable activities:</i>						
Academy Trusts educational operations	4	-	6,852	-	6,852	7,800
Total incoming resources		<u>380</u>	<u>7,071</u>	<u>406</u>	<u>7,857</u>	<u>8,450</u>
Resources expended						
<i>Cost of generating funds:</i>						
Cost of generating voluntary income	5	261	-	-	261	542
Fundraising trading		-	128	-	128	-
<i>Charitable activities:</i>						
Academy's educational operations	6	-	7,059	523	7,582	7,267
Governance costs	7	15	-	-	15	10
Total resources expended	5	<u>276</u>	<u>7,187</u>	<u>523</u>	<u>7,986</u>	<u>7,819</u>
Net incoming/(outgoing) resources before transfers		104	(116)	(117)	(129)	631
Gross transfer between funds	14	-	-	-	-	-
Net income/(expenditure) for the year		104	(116)	(117)	(129)	631
<i>Other recognised gains and losses:</i>						
Actuarial (losses)/gains on defined benefit pension scheme	22	-	(537)	-	(537)	56
Net movement in funds		<u>104</u>	<u>(653)</u>	<u>(117)</u>	<u>(666)</u>	<u>687</u>
Reconciliation of funds						
Total funds brought forward		<u>455</u>	<u>(698)</u>	<u>11,113</u>	<u>10,870</u>	<u>10,183</u>
Total funds carried forward	14	<u>559</u>	<u>(1,351)</u>	<u>10,996</u>	<u>10,204</u>	<u>10,870</u>

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

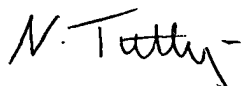
All of the academy's activities derive from continuing operations during the above financial periods.

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

NORTH KESTEVEN SCHOOL
BALANCE SHEET AS AT 31 AUGUST 2014
COMPANY NUMBER: 07657605

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Tangible assets	11		10,820		11,085
Current assets					
Debtors	12	395		102	
Cash at bank and in hand		<u>1,819</u>		<u>1,469</u>	
		2,214		1,571	
Creditors: amounts falling due within one year	13	<u>(1,160)</u>		<u>(718)</u>	
Net current assets			<u>1,054</u>		<u>853</u>
Total assets less current liabilities			11,874		11,938
Net assets excluding pension liability					
Pension scheme liability	22		<u>(1,670)</u>		<u>(1,068)</u>
Net assets including pension liability			<u>10,204</u>		<u>10,870</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	14	10,996		11,113	
General fund	14	<u>319</u>		<u>370</u>	
Restricted funds excluding pension reverse		11,315		11,483	
Pension reserve	14,22	<u>(1,670)</u>		<u>(1,068)</u>	
Total restricted funds			9,645		10,415
Total unrestricted funds	14		<u>559</u>		<u>455</u>
Total funds			<u>10,204</u>		<u>10,870</u>

The financial statements on pages 16 to 34 were approved by the Trustees and authorised for issue on 8 December 2014 and are signed on their behalf by:



N Tutty
Chair

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

NORTH KESTEVEN SCHOOL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014

	Notes	2014 £'000	2013 £'000
Net cash flow from operating activities	17	201	604
Returns on investments and servicing of finance	18	1	1
Capital expenditure	19	148	-
Increase in cash in the year	20	<u>350</u>	<u>605</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September		<u>1,469</u>	<u>864</u>
Net funds at 31 August	20	<u>1,819</u>	<u>1,469</u>

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

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

1. Statement of accounting policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency and the Companies Act 2006. The Statement of Financial Activities as set out on page 16 identifies the identical information as that of the Income and Expenditure Statement. As such, no separate Income and Expenditure Statement has been prepared.

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

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 approval of the financial statements.

Incoming resources

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

- **Grants receivable**

Grant income is 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.

The General Annual Grant ("the GAG") from the DfE which is intended to meet recurrent costs, is recognised on a receivable basis and is credited directly to the Statement of Financial Activities, incoming resources from charitable activities, to the extent of the entitlement of the funds, any abatement in respect of the period is deducted from income and is recognised as a liability.

Capital grants are recognised as voluntary income on a receivable basis to the extent there is entitlement.

Other grants from government agencies and other bodies 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 of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received the income is accrued.

- **Sponsorship income**

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

- **Donations**

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

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

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 goods have been provided or on completion of the service.

- **Donated services and gifts in kind**

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

Resources expended

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

- **Cost of generating funds**

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

- **Charitable activities**

These are costs incurred on the academy trust's educational operations.

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT.

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.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

1. Statement of accounting policies (*continued*)

Tangible fixed assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where 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	- 2% straight line
Furniture and equipment	- 20% straight line
Computer equipment	- 20% straight line

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.

Taxation

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

Pensions 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.

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

1. Statement of accounting policies (continued)

The LGPS is a funded scheme and the assets are held separately from those of the Academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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.

Agency arrangements

The Academy Trust acts as an agent in the administering of 16-19 Bursary Funds from the EFA. Related payments received from the EFA and subsequent 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.

2. Voluntary income

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
DfE/EFA capital grant for building	-	406	406	-
Other donations	-	28	28	305
	-	434	434	305

3. Activities for generating funds

Catering income	272	-	272	253
Other income	107	191	298	201
	379	191	570	454

4. Funding for academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
DfE/EFA grants				
General Annual Grant (GAG)	-	6,518	6,518	7,051
Capital grants	-	-	-	585
Other DfE/EFA grants	-	194	194	-
	-	6,712	6,712	7,636
Other Government grants				
Special education projects	-	140	140	164
Total	-	6,852	6,852	7,800

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

5. Resources expended

	Staff costs £'000	Non pay expenditure Premises £'000	Other costs £'000	Total 2014 £'000	Total 2013 £'000
Costs of activities for generating voluntary income	140	-	121	261	542
Fundraising trading	-	-	128	128	-
Academy's educational operations					
- Direct costs	4,247	-	228	4,475	4,547
- Allocated support costs	1,135	987	985	3,107	2,720
	<u>5,382</u>	<u>987</u>	<u>1,213</u>	<u>7,582</u>	<u>7,267</u>
Governance costs	-	-	15	15	10
	<u>5,522</u>	<u>987</u>	<u>1,477</u>	<u>7,986</u>	<u>7,819</u>

Net incoming/(outgoing) resources for the year include:

	2014 £'000	2013 £'000
Fees payable to Baker Tilly UK Audit LLP and its associates for:		
- audit	9	8
- other services	<u>3</u>	<u>5</u>

6. Charitable Activities – Academy's educational operations

	2014 £'000	2013 £'000
Direct costs:		
Teaching and educational support staff costs	4,247	4,328
Educational supplies	26	20
Educational visits	-	18
Examination fees	163	148
Staff development	31	13
Educational consultancy	8	16
Other direct costs	-	4
	<u>4,475</u>	<u>4,547</u>
Allocated support costs:		
Support staff costs	1,135	1,045
Depreciation	523	506
Recruitment and support	42	33
Maintenance of premises and equipment	290	117
Cleaning	127	125
Rent and rates	103	120
Insurance	50	61
Security and transport	6	4
Bank interest and charges	25	34
Other support costs	806	675
	<u>3,107</u>	<u>2,720</u>
Total	<u>7,582</u>	<u>7,267</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

7. Governance costs

	2014 £'000	2013 £'000
Legal and professional fees	3	-
Auditor's remuneration:		
- Audit of financial statements	9	8
- Other services	3	2
	<u>15</u>	<u>10</u>

8. Staff numbers and costs

Staff costs

Staff costs during the year were:

	2014 £'000	2013 £'000
Wages and salaries	4,307	4,533
Social security costs	375	303
Pension costs	670	659
	<u>5,352</u>	<u>5,495</u>
Staff restructuring costs	30	-
	<u>5,382</u>	<u>5,495</u>

Staff numbers

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

	2014 No.	2013 No.
Teachers	92	96
Administration and support	90	89
Management	8	9
	<u>190</u>	<u>194</u>

The average number of persons (including senior management team) employed by the Academy during the year expressed as full time equivalents was 162.

Higher paid staff

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

	2014 No.	2013 No.
£60,001 - £70,000	1	1
£70,001 - £80,000	1	2
£100,001 - £110,000	-	1
£110,001 - £120,000	<u>1</u>	<u>-</u>

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

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

9. 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 £101,549 in 2014 (2013: 97,590) and is accruing retirement benefits under the teacher's pension scheme. The contributions paid in the year amounted to £14,245 (2013: £12,641)

F McGrath (staff trustee), received remuneration of £44,399 in 2014 (2013: £44,079) and is accruing retirement benefits under the teacher's pension scheme. The contributions paid in the year amounted to £6,161 (2013: £5,697)

M Hardesty (staff trustee), received remuneration of £36,769 in 2014 (2013: £39,291) and is accruing retirement benefits under the teacher's pension scheme. The contributions paid in the year amounted to £5,596 (2013: £2,308)

M Gallimore (staff trustee), received remuneration of £18,184 in 2014 and is accruing retirement benefits under the local government pension scheme. The contributions paid in the year amounted to £3,387.

R Shore (staff trustee), received remuneration of £16,624 in 2014.

During the year to 31 August 2014, no travel and subsistence expenses were reimbursed to trustees (2013: £2,000 to 5 trustees).

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

10. 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 2014 was £1,000 (2013: £1,000).

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

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

11. Tangible fixed assets

	Assets in the course of construction £'000	Freehold land & buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total 2014 £'000
Cost					
1 September 2013	-	11,945	100	38	12,083
Additions	232	-	16	10	258
31 August 2014	232	11,945	116	48	12,341
Depreciation					
1 September 2013	-	949	38	11	998
Charged in year	-	493	22	8	523
31 August 2014	-	1,442	60	19	1,521
Net book values					
31 August 2014	232	10,503	56	29	10,820
31 August 2013	-	10,996	62	27	11,085

12. Debtors

	2014 £'000	2013 £'000
Trade debtors	27	14
Prepayments and accrued income	255	41
Other debtors	113	47
	<u>395</u>	<u>102</u>

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

13. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	137	55
Other creditors	645	443
Accruals and deferred income	378	220
	<u>1,160</u>	<u>718</u>

Deferred income:

£'000

Deferred income at 1 September 2013	53
Resources deferred in the year	75
Amounts released from previous years	(53)
Deferred income at 31 August 2014	<u>77</u>

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

14. Funds

	At 1 September 2013 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses and transfer s £'000	At 31 August 2014 £'000
Restricted general funds					
General Annual Grant (GAG) excluding pension reserves	792	6,852	(6,882)	(25)	737
Pension reserve	(1,068)	-	(65)	(537)	(1,670)
General Annual Grant (GAG)	(276)	6,852	(6,947)	(562)	(933)
Inherited loan	(443)	-	-	25	(418)
Other restricted funds	21	219	(240)	-	-
	(698)	7,071	(7,187)	(537)	(1,351)
Restricted fixed asset funds					
DfE/EFA capital grants	555	406	-	-	961
Capital expenditure from GAG	184	-	-	-	184
Assets transferred on conversion	10,374	-	(523)	-	9,851
	11,113	406	(523)	-	10,996
Total restricted funds	10,415	7,477	(7,710)	(537)	9,645
Unrestricted funds	455	380	(276)	-	559
Total funds	10,870	7,857	(7,986)	(537)	10,204

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

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.

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.

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

15. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	-	10,820	10,820
Current assets	559	1,479	176	2,214
Current liabilities	-	(1,160)	-	(1,160)
Pension scheme liability	-	(1,670)	-	(1,670)
Total net assets at 31 August 2014	559	(1,351)	10,996	10,204

16. Capital commitments

	2014 £'000	2013 £'000
Contracted for, but not provided in the financial statements	264	-

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

	2014 £'000	2013 £'000
Net income for the year	(129)	631
Depreciation (note 11)	523	506
Capital grants from DfE and other capital income	(406)	(527)
Interest receivable	(1)	(1)
FRS 17 pension cost less contributions payable (note 22)	41	9
FRS pension finance income (note 22)	24	33
(Increase)/decrease in creditors	(293)	11
(Decrease)/increase in creditors	442	(58)
Net cash inflow from operating activities	201	604

18. Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Interest received	1	1
Net cash inflow from returns on investment and servicing of finance	1	1

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

19. Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(258)	(527)
Capital grants from DfE/EFA	406	527
Net cash inflow from capital expenditure and financial investment	<u>148</u>	<u>-</u>

20. Analysis of changes in net funds

	At 1 September 2013 £'000	Cash flows £'000	At 31 August 2014 £'000
Cash in hand and at bank	<u>1,469</u>	<u>350</u>	<u>1,819</u>

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'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.

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

22. Pension and similar obligations (*continued*)

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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. 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. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement scheme valuations had been suspended since the last valuation in 2004.

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

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. 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%.

Employer and employee contribution rates

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

From 1 April 2013 to 31 March 2014, the employee contribution rate ranged between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

22. Pension and similar obligations (*continued*)

The TPS valuation for 2012 determined an employer contribution rate of 16.4% from September 2015 and an employer cost cap of 10.9%, both to be set in regulations. The employer contribution rate will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the year amounted to £425,000 (2013: £419,000).

Under the definitions set out in Financial Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Academy Trust has taken the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The Academy Trust has set out above the information available on the scheme and the implications for the Academy Trust in terms of the anticipated rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £245,000 (2013: £240,000) of which employer's contributions totalled £187,000 (2013: £186,000) and employees' contributions totalled £58,000 (2013: £54,000). The agreed contribution rates for future years are, on average 6.45% for employees and 18.45% for employers.

Principal Actuarial Assumptions

	At 31 August 2014	At 31 August 2013
Rate of increase in salaries	4.0%	5.1%
Rate of increase for pensions in payment	2.7%	2.8%
Discount rate	3.7%	4.6%
Inflation (CPI)	2.7%	2.8%

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 2014	At 31 August 2013
<i>Retiring today</i>		
Males	22.2	21.2
Females	24.4	23.4
<i>Retiring in 20 years</i>		
Males	24.5	23.7
Females	26.8	25.7

NORTH KESTEVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

22. Pension and similar obligations (*continued*)

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

	Expected return at 31 August 2014	Fair value at 31 August 2014 £'000	Expected return at 31 August 2013	Fair value at 31 August 2013 £'000
Equities	6.3%	1,451	6.6%	1,218
Bonds	3.6%	248	4.3%	190
Property	4.5%	210	4.7%	174
Cash	3.3%	-	3.6%	-
Total market value of assets		1,909		1,582
Present value of scheme liabilities				
Funded		(3,579)		(2,650)
Deficit in the scheme		(1,670)		(1,068)

The actual return on scheme assets was £204,000 (2013: £185,000).

Amounts recognised in the statement of financial activities

	2014 £'000	2013 £'000
Current service cost (net of employee contributions)	(228)	(195)
Past service cost	-	-
Total operating charge	(228)	(195)
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	104	64
Interest on pension liabilities	(128)	(97)
Pension finance costs	(24)	(33)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £729,000 loss (2013: £192,000 loss).

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 AUGUST 2014

22. Pension and similar obligations (continued)

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

	2014	2013
	£'000	£'000
At 1 September	2,650	2,239
Current service cost	228	195
Employee contributions	58	54
Actuarial loss	530	65
Interest cost	128	97
Benefits paid	(15)	-
At 31 August	<u>3,579</u>	<u>2,650</u>

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

At 1 September	1,582	1,157
Expected return on assets	104	64
Actuarial (loss)/gain	(7)	121
Employer contributions	187	186
Employee contributions	58	54
Benefits paid	(15)	-
At 31 August	<u>1,909</u>	<u>1,582</u>

The estimated value of employer contributions for the year ended 31 August 2015 is £224,000.

The three year history of experience adjustments is as follows:

	2014	2013	2012
	£'000	£'000	£'000
Present value of defined benefit obligations	(3,579)	(2,650)	(2,239)
Fair value share of scheme assets	1,909	1,582	1,157
Deficit in the scheme	<u>(1,670)</u>	<u>(1,068)</u>	<u>(1,082)</u>
Experience adjustments on share of scheme assets			
Amount £'000	(7)	121	(59)
Experience adjustments on scheme liabilities			
Amount £'000	<u>(97)</u>	<u>-</u>	<u>-</u>

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.

NORTH KESTIVEN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 AUGUST 2014

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 £12,600 and disbursed £11,970. The Academy Trust retained a beneficial interest in individual transactions such that £630 has been recognised in income and expenditure in the Statement of Financial Activities.