

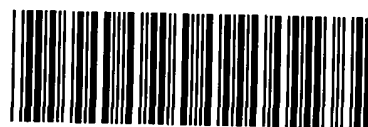
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**MOUNT GRACE SCHOOL**  
(A company limited by guarantee)

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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**Trustees and members** P Baker, Head Teacher<sup>1,2,4,6</sup>  
C Daniel, Chair of Governors<sup>1,2,3,4,5,6</sup>  
P Harding, Vice Chair of Governors<sup>1,3</sup>  
C Cardell-Williams<sup>1,4,5,6</sup>  
J Couzens<sup>1,2,3,5</sup>  
E Ertanin (appointed 21 September 2015)<sup>2,5</sup>  
K Folan<sup>2,3</sup>  
H Frost (appointed 23 May 2016)  
J Mackie<sup>2</sup>  
D Parsons, Staff Governor<sup>3,4,6</sup>  
P Pytches, Staff Governor<sup>3,4,6</sup>  
D Redington<sup>1,4,5,6</sup>  
S Williams, Staff Governor (appointed 14 September 2015)<sup>2</sup>  
G Winfield (resigned 18 January 2016)<sup>2,3,5</sup>

- <sup>1</sup> Member of the Finance Committee.
- <sup>2</sup> Member of the Pupil Achievement Committee.
- <sup>3</sup> Member of the Human Resources Committee.
- <sup>4</sup> Member of the Facilities Committee.
- <sup>5</sup> Member of the Discipline Committee.
- <sup>6</sup> Member of the Admissions and Marketing Committee.

**Company registered number** 07695796

**Company name** Mount Grace School

**Principal and Registered office** Mount Grace School  
Church Road  
Potters Bar  
Hertfordshire  
EN6 1EZ

**Company secretary** P Seymour

**Head Teacher** P Baker

**Senior management team** P Baker, Headteacher  
N Simpson, Deputy Headteacher  
N Austin, Assistant Headteacher  
G Patel (maternity leave), Assistant Headteacher  
S Harwood, Assistant Headteacher  
T Naylor, Assistant Headteacher  
J McAleese (maternity cover), Assistant Headteacher  
B Indra, Head of 6th Form  
P Seymour, School Business Manager

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

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**Advisers (continued)**

<b>Independent auditors</b>	Hillier Hopkins LLP Chartered Accountants Statutory Auditor Radius House 51 Clarendon Road Watford Hertfordshire WD17 1HP
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<b>Bankers</b>	Lloyds PLC Welwyn Garden City
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<b>Solicitors</b>	Stone King
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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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The Trustees present their annual report together with the financial statements and auditors' report of the Charitable Company for the period ended 31 August 2016. The annual report serves purposes of both a trustees' report, and a directors' report under company law.

The trust operates an Academy for pupils aged 11 to 18 serving a catchment area of Potters Bar and the surrounding areas of South Herts and North London. It has pupil capacity of 1074 and had a roll of 739 in the school census dated October 2016.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Constitution**

The Academy Trust (was incorporated on the 6/7/2011 and opened as an academy on the 1/8/2011) is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust.

The Trustees act as the Trustees for the charitable activities of Mount Grace School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Mount Grace School.

**Members' liability**

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

**Trustees' Indemnities**

In accordance with normal commercial practice the Academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000.

**Method of recruitment and appointment or election of Trustees**

On 1/8/2011 the Trustees appointed all those Trustees that served the predecessor school to be Trustees of the newly formed Academy. These Trustees were appointed on a term of office that would end when their original term at the predecessor school would have ended, thus ensuring a staggered re-election or replacement process.

The Staff Trustees' are appointed by the staff members of the Academy. The Parent Trustees' must be a parent of a pupil at the Academy at the time when they are elected and are appointed by the parents. All other Trustees are appointed by the Governing body.

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

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

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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**Policies and Procedures adopted for the Induction and Training of Trustees**

The training and induction provided for new Trustees will depend upon their existing experience. As there are normally only two or three new Trustees a year, induction tends to be done informally and is tailored specifically to the individual. It is expected that all Trustees take advantage of specific courses offered by the Local Authority and other bodies.

**Organisational Structure**

The Board of Trustees normally meets at least four times a year. The Board establishes an overall framework for the governance of the Academy and determines membership, terms of reference and procedures of Committees and other groups. It receives reports including policies from its Committees for ratification. It monitors the activities of the Committees through the minutes of their meeting at full Governing Body meeting. The Board may from time to time establish Working Groups to perform specific tasks over a limited timescale.

There are 6 committees as follows;

- Pupil Achievement Committee - they meet at least once a term to monitor, evaluate and review Academy policy, practice and performance in relation to curriculum planning, communications, target setting and assessment, examinations and all pastoral issues.
- Finance Committee - they meet at least four times a year and are responsible for monitoring, evaluating and reviewing policy and performance in relation to financial management, compliance with regulatory requirements, reporting, receiving reports from the Responsible Officer and drafting the annual budget. It also incorporates the role of an audit committee.
- Admissions & Marketing Committee they meet at least twice a year to deal with all matters relating to admissions.
- Facilities Committee they meet at least three times a year and monitor maintenance, projects, Health & Safety and review regularly building structures, ground works, drainage, building fabric and the condition survey.
- Human Resources Committee they meet at least three times a year and they review policies, monitor complaints, staff attendance patterns and liaises with the finance committee to establish annual and long term salary budgets.
- Discipline Committee they meet when necessary to consider the action of the head in excluding pupils and representation of parents and have the power to reinstate.

The following decisions are reserved to the Board of Trustees; to consider any proposals for changes to the status or constitution of the Academy and its committee structure, to appoint or remove the Chairman and/or Vice Chairman, to appoint the Headteacher and Clerk to the Trustees, to approve the Annual Improvement Plan and budget.

The Trustees are responsible for setting general policy, adopting an annual plan and budget, approving the statutory accounts, monitoring the Academy by the use of budgets and other data, and making major decisions about the direction of the Academy, capital expenditure and staff appointments.

The Senior Leadership Team (SLT) consists of the Headteacher, one Deputy Headteacher, four Assistant Headteachers (five if you include maternity leaver), Head of 6th form and the School Business Manager. Two Middle Leaders have been seconded to serve on SLT for one year. The SLT controls the Academy at an executive level, implementing the policies laid down by the Trustees and reporting back to them. The Headteacher, School Business Manager and Finance Committee are responsible for the authorisation of spending within agreed budgets; a summary of this is in the Scheme of Delegation.

Some spending control is devolved to Budget Holders which must be authorised in line with the Scheme of Delegation.

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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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The Headteacher is responsible for the appointment of staff, though appointment panels for teaching posts usually include a Trustee.

The Headteacher is the Accounting Officer.

**Arrangements for setting pay for Management and Key Personnel**

Mount Grace School sets pay and remuneration in consultation with the Teachers pay conditions. This is set in line with the STRB School Teachers Review Body who make recommendations to the DfE.

Non-teaching staff are set in line with Hertfordshire County Council Pay scales which are in turn set by the National Joint Council.

No trustees received paid work unless employed by Mount Grace School in a teaching or non-teaching capacity.

**Related Parties and Other Connected Charities and Organisations**

The Academy has a lease agreement with DHC Health club with regards to its squash and health facilities. The Academy purchases services from Fusion and Philip Stannard who have associations with Trustees. The relevant trustees have completed the appropriate declaration of interest.

**OBJECTIVES AND ACTIVITIES**

**Objects and Aims**

The principal object and activity of the Academy is to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on, managing and developing a school, offering a broad and balanced curriculum for pupils of different abilities, with a strong emphasis on English, Maths, Science and vocational subjects.

The aims of the Academy during the year ended 31 August 2016 are summarised below:

- to continue to raise the standard of educational attainment and achievement of all pupils.
- to provide a broad and balanced curriculum, including extra-curricular activities.
- to develop students as more effective learners.
- to develop the Academy site so that it enables students to achieve their full potential.
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care.
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review.
- to improve the number of students who make better than expected progress in English, Maths, Science and other subjects taken at GCSE.
- to provide value for money for the funds expended.
- to develop greater coherence, clarity and effectiveness in school systems.
- to comply with all appropriate statutory and curriculum requirements and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness.

At Mount Grace School we aim to get the best for, and from, each child. We intend to enable each child to realise his or her full academic, creative and physical potential and to develop positive social and moral values. Our Academy is a community in which children, staff and parents should be part of a happy and caring environment.

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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**Objectives, Strategies and Activities**

Key priorities for the year are contained in our School Improvement Plan (SIP).

The latest SIP has been devised to include recommendations following visit from the OfSTED (January 2015) and other external advisors to help students make better progress:

- Teachers always plan activities that will enable all disabled students and those who have SEN to make consistently good progress
- Expectations of what students can achieve, especially the most able, are always high and that all students are given work that challenges them to reach the highest grades of which they are capable.
- Questioning always helps students deepen their knowledge and understanding
- Students consistently receive good-quality marking and feedback that tells them clearly how well they have done and what they need to do to improve

In addition, the points below emanate from a variety of sources; the various school boards, internal review, stake-holder surveys and our own rigorous self-evaluation (SEF).

**Behaviour and welfare:**

- Ensure that student conduct outside of lessons is impeccable
- Improve perceptions of parents, staff and pupils about behaviour and safety to instill a shared sense of values, pride and belonging in the school
- Ensure that students are appropriately rewarded
- Ensure that all students' attitudes to learning are of an equally high standard across subjects, years and classes and with different staff.
- Improve attendance to be consistently above National averages

**Leadership and management:**

- Develop the support and training provided to teachers to enable them to meet the needs of students with SEND
- Develop the role of all teachers particularly middle leaders in driving school improvement
- Manage national reforms to develop the best possible curricular and assessment models for students
- Ensure systematic and full coverage of SMSC in the curriculum and pastoral programme so that modern

British values are explored and understood by all students

**Student outcomes:**

- Raise attainment and progress against national outcomes for all students, and particularly for:
  - o Boys
  - o The Sciences
  - o Students in receipt of PP
  - o Students with SEND
  - o Highly able students
- Ensure that intervention is precisely deployed at all key stages, based on accurate identification of need and appropriate focus on student progress (progress 8 & attainment 8)
- Raise students attainment in literacy, especially those at risk of being held back by an inability to read accurately and fluently
- Ensure that assessment practices are rigorous & consistent & lead to accurate estimates of student outcomes.



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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**Public Benefit**

The Academy has complied with its duty to have due regard to the guidance on public benefit as per Appendices GL49 of the Charities SORP.

'Public benefit entities are reporting entities whose primary objective is to provide goods or services for the general public or social benefit and where any equity has been provided with a view to supporting that primary objective rather than with a view to providing financial return to shareholders.'

This is continually monitored by the governing body through its delegated committees.

**Strategic Report**

**Achievements and Performance**

The Academy is about to enter its fifth year of operation and the 2016 KS4 results show further recovery and provide evidence of the effectiveness of recent improvement activities. We anticipate levels of progress to be still in line with progress nationally.

Student progress overall continues to improve and demonstrates the impact of measures to improve Teaching & Learning, target setting and tracking procedures.

**Outcomes for students**

KS4 2016: Progress 8 was 0.07 (-0.26 En, -0.06 Ma) from -0.27 2015, P8 for disadvantaged was -0.13 from -0.84 2015, SEN (no EHCP) was -0.72 from -1.06 2015. English high attainers: 0.05 from -0.41 in 2015, English mid attainers: -0.42 from -0.13 in 2015, English low attainers: 0.06 from -0.14 in 2015. Maths high attainers: 0.29 from -0.07 in 2015, Maths mid attainers: -0.07 from -0.07 in 2015, Maths low attainers: -0.77 from -0.15 in 2015. Absence was 5.8% from 6.8% 2015, for FSM was 9.3% from 10.5% 2015, for girls was 5.9% from 6.9% 2015, and for SEN (no EHCP) was 8% from 9%.

16-19 2016: Vocational VA was +0.34 from +0.12 2015. Academic VA improved to -0.21 2016 to -0.27 2015, the progress (VA) of students from all starting point was broadly in line with national figures.

To ensure that standards are improved the Academy, the Governing Body and the Senior Leadership Group:

- Has established a robust quality assurance calendar which monitors the quality of teaching and progress of all students a minimum of twice per year
- Undertakes a rigorous self-evaluation of attainment using RAISE online and Fischer Family Trust (FFT) which provides school performance data.
- Undertakes a rigorous self-review of standards using the stakeholder surveys.

**Key Performance Indicators**

As funding is based on pupil numbers this is a key performance indicator. Pupil numbers for 2015/16 were 739, a decrease of 50 over 2014/15.

Another key financial performance indicator is staffing costs as a percentage of GAG for the current year compared to the previous year. 2015/2016 = 87% (2014/2015 = 83%)

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

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**Going Concern**

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

**Financial Review**

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

The Academy also receives grants for fixed assets from the DfE and these 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 useful life of the assets concerned, as defined in the Academy's accounting policies.

During the year ended 31 August 2016, total expenditure of £5,762,940 was covered by recurrent grant funding from the DfE, together with other incoming resources of £5,319,681. The excess of expenditure over income for the year (excluding restricted fixed asset funds) was £217,874.

The land, buildings and other assets were transferred to the Academy upon conversion. The land was professionally valued by the EFA at £1,662,826 and the buildings were professionally valued by RD Consultancy at £10,239,273. Other assets have been included in the financial statements at a best estimate, taking into account purchase price and remaining useful lives.

The Academy has taken on the deficit in the Local Government Pension Scheme in respect of its non-teaching staff transferred on conversion. The deficit is incorporated within the Statement of Financial Activity with details in Note 23 to the financial statements.

Trustees have adopted an Internal Auditor Policy and appointed Hillier Hopkins to undertake a programme of internal checks on financial controls. During the year, the Trustees received reports from the Internal Auditor which contained no significant areas of concern.

**Reserves Policy**

The Trustees review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

At the Finance Committee, Trustees determine the appropriate level of free cash reserves to be held. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. Provision should also be made to sustain staffing levels in the event of falling pupil numbers. The Trustees believe that reserves equivalent to 1 month of expenditure (net of depreciation) or approximately £450,000 should be maintained. The Academy's current level of reserves (total funds less the amount held in fixed assets and restricted funds) is £274,804 (all free reserves) which is substantially below this level. The adequacy of reserves is monitored carefully and frequently by the Finance Committee.

The Trustees will also review the future plans of the Academy and set designated reserves for future projects.

**Investment Policy**

At this point no authorisation has been given for investment of surplus funds.

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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**Principal Risks and Uncertainties**

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to teaching, provision of facilities, other operational areas and its finances.

Currently pupil numbers year on year are below the expected levels so the risks to revenue funding are increasing. The reduction in post 16 funding levels, the freeze on the Government's overall education budget, changes in funding arrangements for special educational needs and increasing employment and premises costs further increases this risk and budgets will be increasingly tight in coming years.

The Trustees examine the financial health formally every term, reviewing performance against budgets and overall expenditure by means of regular update reports at all full Governing Body and Finance Committee meetings. The Trustees also regularly review cash flow forecasts and ensure sufficient funds are held to cover all known and anticipated commitments.

At the year end, the Academy had no significant liabilities arising from trade creditors or debtors where there would be a material effect on liquidity.

The Governing Body recognises that the defined benefit scheme deficit (Local Government Pension Scheme), which is set out in Note 23 to the financial statements, represents a significant potential liability. However as the Trustees consider that the Academy is able to meet its known annual contribution commitments for the foreseeable future, this risk from this liability is minimised. The Governing Body agreed to enter Mount Grace School into the Hertfordshire County Council's pooled pension arrangement spreading the pension risk over a minimum of 450 schools.

Other principal risks and uncertainties are as follows:

Failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Academy's finances, internal controls, compliance with regulations and legislation, statutory returns, etc. The Trustees continue to review and ensure that appropriate measures are in place to mitigate these risks.

Reputational - the continuing success of the Academy is dependent on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Trustees ensure that student success and achievement are closely monitored and reviewed.

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

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

Fraud and mismanagement of funds - the Academy has appointed a Responsible Officer to carry out checks on financial systems and records as required by the Academy Financial Handbook.

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**MOUNT GRACE SCHOOL**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**PLANS FOR FUTURE PERIODS**

The Academy will continue to strive to provide outstanding education and improve the levels of performance of its pupils at all levels. The Academy will continue to aim to attract high quality teachers and support staff in order to deliver its objectives.

The Academy will continue to work with partner schools to improve the educational opportunities for students in the wider community.

Full details of our plans for the future are given in our School Improvement Plan.

**FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS**

The Academy and its Trustees do not act as the Custodian Trustees of any other Charity.

**AUDITOR**

In so far as the Trustees are aware:

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

The auditors, Hillier Hopkins LLP, are willing to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

Approved by order of the members of the Governing Body on 5/12/2016 and signed on its behalf by:



**C Daniel**  
**Chair of Trustees**

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**MOUNT GRACE SCHOOL**  
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**GOVERNANCE STATEMENT**

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**SCOPE OF RESPONSIBILITY**

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

The Governing Body has delegated the day-to-day responsibility to 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 Mount Grace School and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

**GOVERNANCE**

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The Governing Body has formally met 5 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Trustee	Meetings attended	Out of a possible
P Baker, Head Teacher	5	5
C Daniel, Chair of Governors	4	5
P Harding, Vice Chair of Governors	5	5
C Cardell-Williams	4	5
J Couzens	4	5
E Ertanin	3	5
K Folan	0	5
H Frost	2	2
J Mackie	5	5
D Parsons, Staff Governor	4	5
P Pytches, Staff Governor	4	4
D Redington	5	5
S Williams, Staff Governor	3	5
G Winfield	1	2

The governors review their effectiveness on an ongoing basis and in so doing, identify and address aspects of governance that can be improved and training needs. Governors have attended training events throughout the year, including induction for new governors, and some events have been hosted at Mount Grace.

The Finance Committee is a sub-committee of the main Governing Body. Its purpose is to monitor, evaluate and review policy and performance in relation to Financial Management.

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**MOUNT GRACE SCHOOL**  
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**GOVERNANCE STATEMENT (continued)**

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Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
P Baker, Head Teacher	4	5
C Daniel, Chair of Governors	5	5
P Harding, Vice Chair of Governors	5	5
C Cardell-Williams	4	5
J Couzens	4	5
D Redington	4	5

### **REVIEW OF VALUE FOR MONEY**

As Accounting Officer of Mount Grace School, Potters Bar, the Headteacher has responsibility and accountability for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer is aware of the Guide to Academy Value for Money Statements published by the Education Funding Agency and understand that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer sets out below how he has ensured that the Academy Trust's use of its resources has provided good value for money during the academic year to 31st August 2016.

Improving educational results for our students remains our key priority. The Academy has taken the following steps to support school improvement for our students and to raise their attainment and aspirations. The Academy is committed to supporting our students in reaching their full potential through academic achievement, extra-curricular opportunities and extended learning to develop the whole person to help prepare them for their next stage of education.

**Targeted improvement:** The Academy has a robust tracking system for monitoring achievement and is continually looking at how data can inform staff in order for them to support and extend the learning of the students. We have employed skilled staff to support our school improvement agenda and to deliver a broad and challenging curriculum.

**Focus on individual students:** The Academy offers students a student support service and specialist learning provision in the form of the "Oasis" and the "Retreat". Students benefit from mentoring, small group work, holiday revision classes and a full time in-school counselling service. The school also provides a Careers advisor and dedicated Teaching Assistants.

The Academy rewards excellence and encourages positive behaviour. We celebrate achievement and encourage students to try new activities to develop their confidence and leadership skills. The school uses a house points system to motivate students.

As an Academy we provide the full range of National Curriculum subjects for Key Stage 3 and Key Stage 4.

**Collaboration:** The Academy works closely with Chancellors School and Dame Alice Owen School who are part of a consortium arrangement. The headteachers and staff of each school meet regularly to share ideas, good practice and discuss issues.

**Quantifying improvements:** The Governors' Pupil Achievement Committee meets six times a year to ensure that the quality of provision for students at the Academy is at least good and is clearly addressing improvement plan issues so that the Academy is evidently moving towards delivering outstanding quality in all areas of provision.

**Financial governance and oversight:** The Academy's Governing Body has a strong oversight of the financial management of the budget. The Academy Finance Committee meets regularly to review the financial position, to receive reports and to challenge decisions. Our external auditors review our financial processes and undertake the role of Responsible Officer to test our internal controls. The levels of delegation on spending

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**MOUNT GRACE SCHOOL**  
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**GOVERNANCE STATEMENT (continued)**

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proposals ensure we take the necessary steps to achieve best value.

The Full Governing Body approves the budget each year and is mindful of the need to balance expenditure against income to ensure the Academy remains a 'going concern'. The Governing Body also receives and approves the Annual Accounts and External Auditors Management Report.

**Better purchasing:** The Finance office is always striving to find Best Value in purchasing and use a number of established suppliers i.e. Crescent Purchasing, Herts Supplies and the Consortium for supply of quotes and goods. Most of the building projects are put through specialised Building Surveyors who in turn apply Best Value principles within a safe and legal framework.

**Fitness for purpose:** The Academy has a cycle of review for its on-going services from external organisations to ensure those services continue to meet the needs of the school, are the best available to us at that time, and offer good value for money. The Academy works closely with Herts for Learning to achieve best value for its main service contracts such as Grounds, Catering and Cleaning.

Tender exercises are regularly undertaken to ensure that high value contracts are assessed against the marketplace on a regular basis to ensure that long term contracts (3 to 5 years) remain competitive.

**Reviewing Controls and Managing Risk:** Regular budget monitoring reports are produced by the Finance Manager. These reports are distributed to the Headteacher and School Business Manager and any remedial action taken to address any significant variances that may have an impact on the budget out-turn. The reports are shared with the Finance Committee to inform their decision making.

The Finance Team are investigating the best options for investing surplus cash balances in interest bearing accounts to maximise interest earning potential.

**Reviewing operation to maximise use of resources:** The Headteacher and School Business Manager review expenditure and make adjustments based on the effectiveness of strategies introduced in previous years, curriculum offer, and any new strategies identified in the Academy Development Plan. This is reviewed by the Senior Leadership Team and also the Finance Committee.

**Lessons learned:** The Academy has reached the end of its fourth year of operations. Our continued curriculum development to support high student achievement remains our top priority. We will be focusing on how best to resource our Development Plan.

## **THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

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

## **CAPACITY TO HANDLE RISK**

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

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**GOVERNANCE STATEMENT (continued)**

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**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 Governing Body;
- regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The Trustees have appointed Hillier Hopkins to carry out the role of internal auditor. This role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the internal auditor reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities. No material control issues arising as a result of the internal auditor's work have been identified.

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

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

5 December 2016 and signed on their behalf, by:



**C Daniel**  
**Chair of Governors**



**P Baker**  
**Accounting Officer**



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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of Mount Grace 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 for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

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.



**Peter Baker, Headteacher**  
**Accounting Officer**

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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

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

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

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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the 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 Governing Body on 5/12/2016 and signed on its behalf by:



**C Daniel**  
**Chair of Governors**

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MOUNT GRACE SCHOOL**

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

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

**RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

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

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

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

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

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MOUNT GRACE SCHOOL**

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**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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



Alexander Bottom ACA (Senior statutory auditor)

for and on behalf of

**Hillier Hopkins LLP**

Chartered Accountants  
Statutory Auditor

Radius House  
51 Clarendon Road  
Watford  
Hertfordshire  
WD17 1HP

Date: 9th December 2016

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO MOUNT GRACE  
SCHOOL AND THE EDUCATION FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 20 July 2011 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 Mount Grace School during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Mount Grace School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Mount Grace School and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mount Grace School and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF MOUNT GRACE SCHOOL'S ACCOUNTING OFFICER AND THE  
REPORTING AUDITORS**

The accounting officer is responsible, under the requirements of Mount Grace School's funding agreement with the Secretary of State for Education dated 29 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 year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO MOUNT GRACE  
SCHOOL AND THE EDUCATION FUNDING AGENCY (continued)**

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**APPROACH**

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material misstatement and irregularity across the Academy Trust's activities.
- Testing and review of areas identified through risk assessment including enquiry, observation, inspection and review of supporting evidence.
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime
- Consideration of evidence obtained through the work performed as part of our financial statements audit in order to support the regularity conclusion

**CONCLUSION**

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



**Hillier Hopkins LLP**

Chartered Accountants  
Statutory Auditor

Radius House  
51 Clarendon Road  
Watford  
Hertfordshire  
WD17 1HP

Date: 9th December 2016

**MOUNT GRACE SCHOOL**  
(A company limited by guarantee)

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

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
<b>INCOME FROM:</b>						
Donations and capital grants	3	5,816	-	43,987	49,803	30,071
Charitable activities	4	381,449	4,790,164	-	5,171,613	5,529,267
Other trading activities	5	21,454	-	-	21,454	19,153
Investments	6	1,088	-	-	1,088	1,137
Other income	7	5,145	70,578	-	75,723	72,639
<b>TOTAL INCOME</b>		<b>414,952</b>	<b>4,860,742</b>	<b>43,987</b>	<b>5,319,681</b>	<b>5,652,267</b>
<b>EXPENDITURE ON:</b>						
Charitable activities		417,965	5,075,603	269,372	5,762,940	5,930,534
<b>TOTAL EXPENDITURE</b>	10	<b>417,965</b>	<b>5,075,603</b>	<b>269,372</b>	<b>5,762,940</b>	<b>5,930,534</b>
<b>NET EXPENDITURE BEFORE TRANSFERS</b>						
Transfers between Funds	19	(3,013)	(214,861)	(225,385)	(443,259)	(278,267)
		-	(15,233)	15,233	-	-
<b>NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>						
		(3,013)	(230,094)	(210,152)	(443,259)	(278,267)
Actuarial losses on defined benefit pension schemes	23	-	(770,000)	-	(770,000)	(5,000)
<b>NET MOVEMENT IN FUNDS</b>		<b>(3,013)</b>	<b>(1,000,094)</b>	<b>(210,152)</b>	<b>(1,213,259)</b>	<b>(283,267)</b>
<b>RECONCILIATION OF FUNDS:</b>						
Total funds brought forward		277,817	(586,878)	11,890,062	11,581,001	11,864,268
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>274,804</b>	<b>(1,586,972)</b>	<b>11,679,910</b>	<b>10,367,742</b>	<b>11,581,001</b>

**MOUNT GRACE SCHOOL**  
(A company limited by guarantee)  
REGISTERED NUMBER: 07695796

**BALANCE SHEET**  
**AS AT 31 AUGUST 2016**

	Note	£	2016 £	£	2015 £
<b>FIXED ASSETS</b>					
Tangible assets	16		11,679,910		11,890,062
<b>CURRENT ASSETS</b>					
Debtors	17	217,317		233,846	
Cash at bank and in hand		803,975		920,203	
		<u>1,021,292</u>		<u>1,154,049</u>	
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(624,460)</u>		<u>(577,110)</u>	
<b>NET CURRENT ASSETS</b>			<u>396,832</u>		<u>576,939</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>12,076,742</u>		<u>12,467,001</u>
Defined benefit pension scheme liability	23		<u>(1,709,000)</u>		<u>(886,000)</u>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>10,367,742</u></u>		<u><u>11,581,001</u></u>
<b>FUNDS OF THE ACADEMY</b>					
Restricted income funds:					
Restricted income funds	19	122,028		299,122	
Restricted fixed asset funds	19	11,679,910		11,890,062	
Restricted income funds excluding pension liability		<u>11,801,938</u>		<u>12,189,184</u>	
Pension reserve		<u>(1,709,000)</u>		<u>(886,000)</u>	
Total restricted income funds			<u>10,092,938</u>		<u>11,303,184</u>
Unrestricted income funds	19		<u>274,804</u>		<u>277,817</u>
<b>TOTAL FUNDS</b>			<u><u>10,367,742</u></u>		<u><u>11,581,001</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 5/12/2016 and are signed on their behalf, by:

  
P Baker, Head Teacher

  
C Daniel, Chair of Governors

The notes on pages 24 to 45 form part of these financial statements.



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**MOUNT GRACE SCHOOL**  
(A company limited by guarantee)

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	21	(44,331)	53,922
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(71,897)	(85,586)
<b>Net cash used in investing activities</b>		(71,897)	(85,586)
<b>Change in cash and cash equivalents in the year</b>		(116,228)	(31,664)
Cash and cash equivalents brought forward		920,203	951,867
<b>Cash and cash equivalents carried forward</b>	22	803,975	920,203

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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**1. ACCOUNTING POLICIES**

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

**1.1 Basis of preparation of financial statements**

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

Mount Grace School constitutes a public benefit entity as defined by FRS 102.

**First time adoption of FRS 102**

These financial statements are the first financial statements of Mount Grace 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 Mount Grace School for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

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

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

**1.2 Fund accounting**

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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**1. ACCOUNTING POLICIES (continued)**

**1.3 Income**

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of financial activities incorporating income and expenditure account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

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

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

**1.4 Expenditure**

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

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

All resources expended are inclusive of irrecoverable VAT.

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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**1. ACCOUNTING POLICIES (continued)**

**1.5 Going concern**

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy 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's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements..

**1.6 Tangible fixed assets and depreciation**

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account and carried forward in the Balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	50 years straight line
Freehold land	-	not depreciated
Motor vehicles	-	4 years straight line
Fixtures and fittings	-	5 years straight line
Computer equipment	-	3 years straight line

**1.7 Interest receivable**

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

**1.8 Operating leases**

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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**1. ACCOUNTING POLICIES (continued)**

**1.9 Debtors**

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

**1.10 Cash at Bank and in hand**

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

**1.11 Liabilities and provisions**

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

**1.12 Financial instruments**

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

**1.13 Taxation**

The academy 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 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.

**1.14 Pensions**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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**MOUNT GRACE SCHOOL**  
**(A company limited by guarantee)**

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

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**1. 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 credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses

**1.15 Critical accounting estimates and areas of judgement**

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

**Critical accounting estimates and assumptions:**

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**Critical areas of judgement:**

**Depreciation , amortisation and residual values**

The Trustees have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

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**1. ACCOUNTING POLICIES (continued)**

**1.16 Agency arrangements**

The academy trust acts as an agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 29.

**2. GENERAL ANNUAL GRANT (GAG)**

Under the funding agreement with the Secretary of State the academy was subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy has not exceeded these limits during the year ended 31 August 2016.

**3. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations	5,816	-	16,160	21,976	10,444
Capital grants	-	-	27,827	27,827	19,627
	<u>5,816</u>	<u>-</u>	<u>43,987</u>	<u>49,803</u>	<u>30,071</u>
Total donations and capital grants	5,816	-	43,987	49,803	30,071

In 2015, of the total income from donations and capital grants, £9,367 was to unrestricted funds and £1,077 was to restricted funds

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**4. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
<b>DfE/EFA grants</b>				
General Annual Grant (GAG)	-	4,508,363	4,508,363	4,829,547
Other DfE grants	-	12,750	12,750	18,500
Pupil Premium	-	182,395	182,395	189,033
Rates relief	-	19,566	19,566	18,880
Insurance grant	-	31,726	31,726	26,186
	-	4,754,800	4,754,800	5,082,146
<b>Other government grants</b>				
SEN funding	-	27,058	27,058	46,766
	-	27,058	27,058	46,766
<b>Other funding</b>				
Music services income	15,267	-	15,267	11,607
Other income	25,913	8,306	34,219	39,724
Catering income	177,675	-	177,675	168,862
Trip income	162,594	-	162,594	180,162
	381,449	8,306	389,755	400,355
	381,449	4,790,164	5,171,613	5,529,267

In 2015, of the total income from charitable activities, £378,109 was to unrestricted funds and £5,170,785 was to restricted funds.

**5. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Lettings Income	21,454	-	21,454	19,153
	21,454	-	21,454	19,153

In 2015, of the total income from other trading activities, £19,153 was to unrestricted funds and £ NIL was to restricted funds.



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**6. INVESTMENT INCOME**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Investment income	1,088	-	1,088	1,137

In 2015, of the total investment income, £1,137 was to unrestricted funds and £ NIL was to restricted funds.

**7. OTHER INCOMING RESOURCES**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Sundry income	5,145	70,578	75,723	72,639

In 2015, of the total other incoming resources, £ 5,478 was to unrestricted funds and £ 67,161 was to restricted funds.

**8. DIRECT COSTS**

	Educational activities £	Total 2016 £	Total 2015 £
Educational supplies	33,882	33,882	48,775
Examination fees	80,276	80,276	74,389
Staff development	34,963	34,963	76,492
Trip expenditure	162,594	162,594	180,162
Other direct costs	58,530	58,530	81,607
Support staff costs	68,161	68,161	97,156
Recruitment	6,574	6,574	17,564
Catering costs	210,699	210,699	202,921
Lockers	145	145	658
Music service costs	32,088	32,088	22,873
Wages and salaries	2,956,757	2,956,757	3,027,520
National insurance	262,292	262,292	247,936
Pension cost	424,946	424,946	384,222
	<u>4,331,907</u>	<u>4,331,907</u>	<u>4,462,275</u>

In 2015, the academy incurred the following Direct costs:

£4,056,319 in respect of Educational activities

£405,956 in respect of Other income

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**9. SUPPORT COSTS**

	Educational activities £	Total 2016 £	Total 2015 £
Pension income	33,000	33,000	31,000
Profit/Loss on disposal	(5,277)	(5,277)	-
Premises maintenance costs	73,708	73,708	72,864
Rent and rates	27,156	27,156	25,433
Technology costs	157,127	157,127	144,469
Insurance costs	51,991	51,991	51,795
Heat and light costs	90,484	90,484	88,355
Printing, postage and stationery	51,012	51,012	71,975
Cleaning and caretaking costs	108,985	108,985	109,570
Professional fees	30,671	30,671	31,735
Other support costs	55,173	55,173	65,584
Governance - audit remuneration	11,500	11,500	11,500
Wages and salaries	351,024	351,024	371,434
National insurance	23,607	23,607	22,650
Pension cost	96,224	96,224	105,096
Depreciation	274,648	274,648	264,799
	<u>1,431,033</u>	<u>1,431,033</u>	<u>1,468,259</u>

During the year ended 31 August 2016, the academy incurred the following Governance costs:

£11,500 (2015 - £11,500) included within the table above in respect of Educational activities..

In 2015, the academy incurred the following Support costs:

£1,456,759 in respect of Educational activities

**10. EXPENDITURE**

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Educational activities:					
Direct costs	3,712,157	-	619,750	4,331,907	4,462,275
Support costs	470,855	574,981	385,197	1,431,033	1,442,259
	<u>4,183,012</u>	<u>574,981</u>	<u>1,004,947</u>	<u>5,762,940</u>	<u>5,904,534</u>

In 2016, of the total expenditure, £711,226 (2015 - £680,688) was to unrestricted funds and £4,975,679 (2015 - £5,223,846) was to restricted funds.

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

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**11. NET INCOMING RESOURCES/(RESOURCES EXPENDED)**

This is stated after charging:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets:		
- owned by the charity	<b>274,648</b>	<b>264,799</b>
Auditors' remuneration	<b>6,750</b>	<b>6,500</b>
Governance Internal audit costs	<b>4,750</b>	<b>5,000</b>
	<u><b>286,148</b></u>	<u><b>276,300</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. STAFF COSTS**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	3,307,782	3,398,955
Social security costs	285,899	270,586
Operating costs of defined benefit pension schemes	521,170	489,318
	<u>4,114,851</u>	<u>4,158,859</u>
Supply teacher costs	68,161	97,156
Staff restructuring costs	97,269	-
	<u><u>4,280,281</u></u>	<u><u>4,256,015</u></u>

Staff restructuring costs comprise:

Redundancy payments	<u>97,269</u>	<u>-</u>
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The average number of persons employed by the academy during the year was as follows:

	2016 No.	2015 No.
Teaching	54	54
Support/Administration	44	53
Management	8	9
	<u>106</u>	<u>116</u>

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

	2016 No.	2015 No.
In the band £100,001 - £110,000	1	1

The above employee participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, employer pension contributions amounted to £17,160 (2015 - £14,537).

Redundancy payments totaling £97,269 were paid to 11 employees who left during the year.

The key management personnel of the academy trust comprise the senior management team as listed on page 1. The total employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £544,024 (2015: £519,180).

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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. TRUSTEES' REMUNERATION AND EXPENSES**

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2016 £	2015 £
P Baker, Head Teacher	Remuneration	100,000-105,000	100,000-105,000
	Pension contributions paid	15,000-20,000	10,000-15,000
D Parsons, Staff Governor	Remuneration	20,000-25,000	20,000-25,000
	Pension contributions paid	5,000-10,000	5,000-10,000
P Pytches, Staff Governor	Remuneration	50,000-55,000	50,000-55,000
	Pension contributions paid	5,000-10,000	5,000-10,000
H Baker, Staff Governor	Remuneration	0-5,000	15,000-20,000
	Pension contributions paid	0-5,000	0-5,000
S Williams, Staff Governor	Remuneration	45,000-50,000	

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

**14. TRUSTEES' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,269,260 on any one claim and the cost for the year ended 31 August 2016 was £1,333 (2015 - £1,453).

**15. OTHER FINANCE INCOME**

	2016 £	2015 £
Interest income on pension scheme assets	-	53,000
Interest on pension scheme liabilities	(33,000)	(84,000)
	<u>(33,000)</u>	<u>(31,000)</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**16. TANGIBLE FIXED ASSETS**

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>					
At 1 September 2015	12,664,961	16,000	142,477	48,631	12,872,069
Additions	16,160	16,160	27,402	12,175	71,897
Disposals	-	-	-	(11,021)	(11,021)
At 31 August 2016	<u>12,681,121</u>	<u>32,160</u>	<u>169,879</u>	<u>49,785</u>	<u>12,932,945</u>
<b>Depreciation</b>					
At 1 September 2015	862,555	12,000	79,582	27,870	982,007
Charge for the year	220,366	8,040	33,975	12,267	274,648
On disposals	-	-	-	(3,620)	(3,620)
At 31 August 2016	<u>1,082,921</u>	<u>20,040</u>	<u>113,557</u>	<u>36,517</u>	<u>1,253,035</u>
<b>Net book value</b>					
At 31 August 2016	<u>11,598,200</u>	<u>12,120</u>	<u>56,322</u>	<u>13,268</u>	<u>11,679,910</u>
At 31 August 2015	<u>11,802,406</u>	<u>4,000</u>	<u>62,895</u>	<u>20,761</u>	<u>11,890,062</u>

Included in land and buildings is freehold land at valuation of £1,662,826 (2015 - £1,662,826), which is not depreciated.

Additions to freehold property in the year relate to property improvements.

**17. DEBTORS**

	2016 £	2015 £
Trade debtors	11,017	8,794
Other debtors	93,638	86,001
Prepayments and accrued income	112,662	139,051
	<u>217,317</u>	<u>233,846</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**18. CREDITORS: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	78,375	168,898
Other creditors	302,148	284,937
Accruals and deferred income	243,937	123,275
	<u>624,460</u>	<u>577,110</u>
	2016 £	2015 £
<b>Deferred income</b>		
Deferred income at 1 September 2015	89,809	89,266
Resources deferred during the year	146,332	89,809
Amounts released from previous years	(89,809)	(89,266)
	<u>146,332</u>	<u>89,809</u>
Deferred income at 31 August 2016		

At the balance sheet date the academy trust was holding funds received in advance for trips being held in the school year 2016/2017, GAG funding and capital grant funding.

**19. STATEMENT OF FUNDS**

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
<b>Unrestricted funds</b>						
Trip Income	-	162,594	(162,594)	-	-	-
Lettings Income	125,688	16,407	-	(142,095)	-	-
Catering income	-	177,675	(210,699)	33,024	-	-
General Funds	152,129	43,009	(12,584)	92,250	-	274,804
Music Income	-	15,267	(32,088)	16,821	-	-
	<u>277,817</u>	<u>414,952</u>	<u>(417,965)</u>	<u>-</u>	<u>-</u>	<u>274,804</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**19. STATEMENT OF FUNDS (continued)**

**Restricted funds**

General Annual Grant (GAG)	299,122	4,515,113	(4,676,974)	(15,233)	-	122,028
Pupil Premium	-	182,395	(182,395)	-	-	-
SEN Funding	-	27,058	(27,058)	-	-	-
Rates relief	-	19,566	(19,566)	-	-	-
Insurance grant	-	31,726	(31,726)	-	-	-
Other Grant						
Income	-	6,000	(6,000)	-	-	-
Other restricted income	-	78,884	(78,884)	-	-	-
Pension reserve	(886,000)	-	(53,000)	-	(770,000)	(1,709,000)
	<u>(586,878)</u>	<u>4,860,742</u>	<u>(5,075,603)</u>	<u>(15,233)</u>	<u>(770,000)</u>	<u>(1,586,972)</u>

**Restricted fixed asset funds**

Restricted Fixed Asset Funds	11,890,062	27,827	(269,372)	15,233	-	11,663,750
Donations	-	16,160	-	-	-	16,160
	<u>11,890,062</u>	<u>43,987</u>	<u>(269,372)</u>	<u>15,233</u>	<u>-</u>	<u>11,679,910</u>
Total restricted funds	<u>11,303,184</u>	<u>4,904,729</u>	<u>(5,344,975)</u>	<u>-</u>	<u>(770,000)</u>	<u>10,092,938</u>
Total of funds	<u>11,581,001</u>	<u>5,319,681</u>	<u>(5,762,940)</u>	<u>-</u>	<u>(770,000)</u>	<u>10,367,742</u>

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

The General Annual Grant (GAG) represents the core funding for the educational activities of the school that has been provided to the Academy via the Education Funding Agency by the Department for Education. The General Annual Grant Fund has been set up because the GAG must be used for the normal running costs of the Academy.

The other material restricted general funds represent incoming resources for the following specific purposes:

- a) EFA grant funding for part of the staff costs of the school's sports co-ordinator
- b) EFA capital grant to maintain and improve school buildings
- c) Pupil premium grant allocated to schools with pupils that are known to be eligible for free school meals to raise attainment for pupils from low income families.

School fund income is derived largely from contributions from parents for school trips and also funds raised from charity events at the school.

The pension reserve represents the net deficit on the Local Government Pension Scheme (LGPS) defined benefit pension scheme. The deficit arose because of the pension scheme deficit inherited on



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**19. STATEMENT OF FUNDS (continued)**

conversion and future GAG funding agreed by the Education Funding Agency is expected to be sufficient to take the fund back into surplus.

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

**20. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	11,679,910	11,679,910	11,890,062
Current assets	274,804	746,488	-	1,021,292	1,154,049
Creditors due within one year	-	(624,460)	-	(624,460)	(577,110)
Provisions for liabilities and charges	-	(1,709,000)	-	(1,709,000)	(886,000)
	<u>274,804</u>	<u>(1,586,972)</u>	<u>11,679,910</u>	<u>10,367,742</u>	<u>11,581,001</u>

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

	2016 £	2015 £
Net expenditure for the year (as per Statement of financial activities)	(443,259)	(278,267)
<b>Adjustment for:</b>		
Depreciation charges	274,648	264,799
Loss on the sale of fixed assets	7,400	-
Decrease in debtors	27,242	47,617
Increase/(decrease) in creditors	36,638	(34,227)
Defined benefit pension scheme cost less contributions payable	20,000	23,000
Defined benefit pension scheme finance cost	33,000	31,000
<b>Net cash (used in)/provided by operating activities</b>	<u>(44,331)</u>	<u>53,922</u>

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**22. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	2016 £	2015 £
Cash in hand	803,975	920,203
Total	<u>803,975</u>	<u>920,203</u>

**23. PENSION COMMITMENTS**

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hertfordshire County Council. Both are Multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £63,114 were payable to the schemes at 31 August 2016 (2015 - £63,139) and are included within creditors.

**Teachers' Pension Scheme**

**Introduction**

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

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

**Valuation of the Teachers' Pension Scheme**

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

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

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**23. PENSION COMMITMENTS (continued)**

- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the period amounted to £325,287 (2015 - £289,377).

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

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £248,000 (2015 - £265,000), of which employer's contributions totalled £201,000 (2015 - £218,000) and employees' contributions totalled £47,000 (2015 - £47,000). The agreed contribution rates for future years are 25.3% for employers and 5.5 - 7.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.70 %
Rate of increase in salaries	3.60 %	4.00 %
Rate of increase for pensions in payment / inflation	2.10 %	2.60 %

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

	2016	2015
Retiring today		
Males	22.3	22.3
Females	24.5	24.5
Retiring in 20 years		
Males	24.3	24.3
Females	26.7	26.7

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**23. PENSION COMMITMENTS (continued)**

The academy's share of the assets in the scheme was:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,352,610	1,036,020
Bonds	601,160	451,170
Property	150,290	116,970
Cash	42,940	66,840
Total market value of assets	<u>2,147,000</u>	<u>1,671,000</u>

The actual return on scheme assets was £277,000 (2015 - £68,000).

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

	2016 £	2015 £
Current service cost (net of employee contributions)	(220,000)	(222,000)
Net interest cost	(33,000)	(31,000)
Gains on curtailments and settlements	(1,000)	(19,000)
Total	<u>(254,000)</u>	<u>(272,000)</u>
Actual return on scheme assets	<u>(277,000)</u>	<u>(68,000)</u>

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

	2016 £	2015 £
Opening defined benefit obligation	2,525,000	2,149,000
Current service cost	220,000	222,000
Interest cost	98,000	84,000
Contributions by employees	47,000	47,000
Changes in assumptions/Actuarial losses	982,000	20,000
Past service costs	1,000	19,000
Benefits paid	(17,000)	(16,000)
Closing defined benefit obligation	<u>3,856,000</u>	<u>2,525,000</u>

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**23. PENSION COMMITMENTS (continued)**

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

	2016 £	2015 £
Opening fair value of scheme assets	1,639,000	1,322,000
Interest income	65,000	53,000
Return on assets/Actuarial gains and (losses)	212,000	15,000
Contributions by employer	201,000	218,000
Contributions by employees	47,000	47,000
Benefits paid	(17,000)	(16,000)
	<u>2,147,000</u>	<u>1,639,000</u>
Closing fair value of scheme assets	<u>2,147,000</u>	<u>1,639,000</u>

**24. OPERATING LEASE COMMITMENTS**

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

	2016 £	2015 £
<b>Amounts payable:</b>		
Within 1 year	35,640	39,766
Between 1 and 5 years	25,651	16,311
	<u>61,291</u>	<u>56,077</u>
Total	<u>61,291</u>	<u>56,077</u>

**25. MEMBERS' LIABILITY**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**26. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee has 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.

During the year the Academy entered into transactions with Fusion Electrical (Contracts) Limited, a company which provides Electrical services and C Daniel a Trustee of the Academy is a director. The total amount paid to Fusion in the year was £7,635 (2015: £13,100). This was approved by the Headteacher and conducted at arm's length. The procurement policy is to seek comparative tendering for works in excess of £2,000. At the year end there was an amount due to Fusion Electrical (Contracts) Limited of £- (2015: £2,542).

During the year the Academy entered into transactions with Philip Stannard Associates, a company which provides lighting services and P Pytches a Trustee of the Academy is a freelancer. The total amount paid to Philip Stannard Associates in the year was £9,668 (2015: £10,048). This was approved by the Headteacher and conducted at arm's length. The procurement policy is to seek comparative tendering for works in excess of £2,000.

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**27. FIRST TIME ADOPTION OF FRS 102**

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

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

RECONCILIATION OF TOTAL FUNDS	Notes	1 September 2014 £	31 August 2015 £
Total funds under previous UK GAAP		11,864,268	11,581,001
Total funds reported under FRS 102		<u>11,864,268</u>	<u>11,581,001</u>

Reconciliation of net (expenditure)	Notes	31 August 2015 £
Net (expenditure) previously reported under UK GAAP		(252,267)
Change in recognition of LGPS interest cost	A	(26,000)
Net movement in funds reported under FRS 102		<u>(278,267)</u>

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

A	Change in recognition of LGPS interest cost Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to income by £26,000 and increase the credit in other recognised gains and losses in the SoFA by an equivalent amount.
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**28. CONTROLLING PARTY**

In the opinion of the Governors there is no ultimate controlling party.

**29. AGENCY ARRANGEMENTS**

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £15,428 (2015: £16,732) and disbursed £8,005 (2015: £7,482) from the fund. An amount of £16,823 (2015: £9,250) is included in other creditors relating to undistributed funds that is potentially repayable to EFA.