

**The St. Aldhelm's Academy  
(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year Ended 31 August 2013**

**Company Registration Number:  
06959707 (England and Wales)**

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Reference and Administrative Details

Governors (Trustees)	Alison Mountford Andrew Rickett Ann Fernandez  Anthony Moore Cheryl Heron – David Ball – David Price Duncan Allard Peter Homden Rachael Hemsley Steve MacLure Susanne Clarke Xavier Velay Chris Shepperd Venerable Stephen Waine	Chair of Governors & Trustee (stepped down & Trustee 11/07/13) Governor and Trustee (appointed Chair 11/07/13) Principal Vice Chairman and Trustee (resigned 12/10/12) (appointed 13/09/12)  (appointed Vice Chairman – 13/12/12)  Governor and Trustee (appointed 12/10/12) (appointed 20/12/12) Trustee Trustee
Secretary	Susan Rix	
Senior Leadership Team	Principal – Cheryl Heron Vice Principal – Roshan Lal Vice Principal – Amanda Bibby Vice Principal – Allen Bird Vice Principal – Claire Stretch Interim Operations Director – Susan Rix	(resigned 28 <sup>th</sup> February 2013)     (1 <sup>st</sup> April 2013)
Principal and Registered Office	The St. Aldhelm's Academy Herbert Avenue Poole Dorset BH12 4HS	
Company Registration Number	06959707	
Independent Auditor	Crowe Clark Whitehill LLP Carrick House Lypiatt Road Cheltenham Gloucestershire GL50 2QJ	
Bankers	Lloyds TSB Salisbury Branch PO Box 1000 BX1 1LT	
Solicitors	Schofield Sweeney LLP Church Bank House Church Bank Bradford Yorkshire BD1 4DY	

## Governors' Report

The governors present their annual report together with the financial statements and auditor's reports of the Academy for the year ended 31 August 2013.

### Structure, Governance and Management

#### Constitution

The Academy 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 dated 3 July 2009.

The governors' act as the trustees for the charitable activities of The St. Aldhelm's Academy and is also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as The St. Aldhelm's Academy.

The following governors have held office since 1 September 2012:

Alison Mountford	
Andrew Rickett	
Ann Fernandez	Chair of Governors and Trustee (stepped down from Chair and Trustee 11 <sup>th</sup> July 2013)
Anthony Moore	Governor and Trustee (appointed Chair 11 <sup>th</sup> July 2013)
Cheryl Heron	Principal
David Ball	Vice Chairman and Trustee (resigned 12 <sup>th</sup> October 2012)
David Price	(appointed 13 <sup>th</sup> September 2012)
Duncan Allard	
Peter Homden	(appointed Vice Chairman – 13 <sup>th</sup> December 2012)
Rachael Hemsley	
Steve MacLure	
Susanne Clarke	Governor and Trustee (appointed 12 <sup>th</sup> October 2012)
Xavier Velay	(appointed 20 <sup>th</sup> December 2012)
Chris Shepperd	Trustee
Venerable Stephen Waive	Trustee

#### Members' Liability

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

#### Governors' Indemnities

Subject to the provision of the Companies Act, every governor or other officer or auditor of the Academy Trust shall be indemnified out of the assets of the Trust against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which the judgement is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy.

## **Governors' Report (continued)**

### Principal Activity

The principal activity of the Academy is such as within its objects as defined in the Memorandum of Association, namely:-

“To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad curriculum with a strong emphasis, but in no way limited to mathematics and sport.”

### Method of Recruitment and Appointment or Election of Governors

Governors are appointed subject to the Memorandum and Articles of Association and are subject to retirement after four years but are eligible for appointment at the meeting at which they retire, at each Annual General Meeting of the Academy.

### Policies and Procedures Adopted for the Induction and Training of Governors.

The training and induction provided to new governors will depend on their existing experience. Where necessary induction will provide training on charity and educational legal and financial matters. All new governors are given a tour of the Academy and the chance to meet with staff and young people. All governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as governors serving the relevant governing bodies. There are usually one or two new governors each year therefore inductions tend to be informal and tailored to the individual. An annual governor's conference is held during the autumn term where the Academy's Governance strategies and responsibilities are discussed.

### Organisational Structure

The management structure now consists of three levels, the trustees of the Academy, the Board of Governors (also the directors / trustees of the Charitable Company) and the Executive Leadership Team.

The aim of the Executive Leadership Team structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Board of Governors is responsible for setting general policy within the overall Academy policy framework, adopting an annual plan and budget, monitoring the Academy by reference to budgets and making major decisions including the direction of the Academy, capital expenditure and Executive Leadership Team appointments.

The Board of Governors have established a number of committees to delegate responsibilities for specific areas. Their structure of committees for 2012-13 consisted of Staffing and Resources Committee and a Standards and Welfare Committee. This has been restructured for 2013-14 and now consists of Learning and Progress Committee, Students and Stakeholders Committee, HR Committee, Finance, Audit and Resources Committee and Scrutiny Committee. Each committee has clear terms of reference and reports to the Board of Governors.

## **Governors' Report (continued)**

### **Organisational Structure (continued)**

The Senior Leadership Team included the Principal and the four Vice Principals. The VP Learning Environment left and an Interim Operations Management Team was contracted for 1 year, commencing 1<sup>st</sup> April 2013. In 2013-14 the team now includes the Principal and three Vice principals (one of whom is on secondment). It is planned to recruit a Director of Finance and Operations, commencing at the Academy early in 2014, when the Interim Management Team's contract finishes. The Executive Leadership Team control the Academy at an executive level implementing the policies laid down by the Board of Governors and reporting back to them. As a group, the Executive Leadership Team is responsible for the authorisation of spending within agreed budgets and the appointment of staff.

Appointments for posts in the Executive Leadership Team must always be authorised by a governor on the Board.

Some spending control is devolved to members of the Middle Management Team, within limits above which an Executive Leadership Team member must countersign to authorise. There are agreed limits where the Principal and Approved Governors must countersign to authorise.

The middle leaders comprise of four TALCOs (Team Around the Learner Co-ordinators), five Lead Subject Teachers and a SENDCO (Special Education Needs and Disability Co-ordinator). The TALCOs are responsible for the day to day operation of their subject across the Academy.

#### Risk Management

See The Risk and Control Framework in the Governance Statement.

#### Connected Organisations, including Related Party Relationships

The Diocese of Salisbury and Bournemouth University are the Sponsors of the Academy and as such are recognised as connected organisations.

## **Objectives and Activities**

### Objects and Aims

The principle object and activity of the Academy is to advance, for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing an academy offering a broad curriculum with a strong emphasis on, but in no way limited to a sport and mathematics. In setting the objectives and planning the activities the governors have given careful consideration to the Charity Commission's general guidance on public benefit.

In accordance with the Articles of Association the Academy has adopted a "Scheme of Government" approved by the Department for Education. The Scheme of Government specifies, amongst other things, the basis for admitting young people to the Academy, the catchment area from which the young people are drawn, and that the curriculum should comply with the substance of the national curriculum with an emphasis on sport and mathematics.

## **Governors' Report (continued)**

### **Objects and Aims (continued)**

The Academy's vision is summarised below:

The Academy believes that our young people lie at the heart of the community and, as such, must have the fullest access to learning and to other related opportunities such as health, library and leisure that this fully extended, campus based Academy offers.

The Academy will extend this service to the whole community, rooted in a belief that learning is for all, throughout life, in healthy, resilient and reflective communities.

Through our sponsors, the Diocese of Salisbury (Church of England) and Bournemouth University, the Academy will bring together the Christian belief in the imperative of developing and using each of our God given gifts in the service of ourselves and of others with the University's passion for innovative teaching, learning and research.

The Academy will work in partnership with partners on and off the site to improve the opportunities for our young people and the community.

### *Objectives, Strategies and Activities*

The Academy will:

- Provide high quality lifelong learning opportunities for all.
- Encourage the development of a resilient, informed and creative community.
- Working in partnership, providing a 'one stop shop' for the needs of our community.
- Provide opportunities for our young people to take on leadership roles.
- Provide internal and external mentors for each young person.
- Encourage and change our young peoples' and community's attitudes to further and higher education.
- Use our specialisms of sport and mathematics to enhance the learning experiences of all.
- Provide opportunities to celebrate success.
- Ensure that all learning opportunities are stimulating, of high quality, flexible and personalised.
- Provide learning environments that are safe, well resourced, flexible and appropriate to effective learning.
- Provide opportunities for reflection and the recognition and development of the 'spiritual self' as a natural part of the whole learner.
- Provide opportunities for young people to develop the skills of Learning 2 learn, learning to think.
- Have a close relationship with our family of schools to ensure a smooth transition of the young people into the Academy.
- Provide a 6<sup>th</sup> Form to ensure all our young people have full access to the opportunities that will enable them to take up their full role as informed and active citizens and adults.
- Provide learning opportunities for all staff that recognise the needs of the Academy, the community and their own personal needs.
- Provide the highest quality communication and support systems.

## **Governors' Report (continued)**

### **Objectives, Strategies and Activities (continued)**

The Academy's commitments:

For young people:

- A strong learning culture with teaching focused on developing their capacity for independent learning.
- A personalised learning plan with a choice of curriculum opportunities, within a framework of guidance and support.
- Opportunities to engage fully in stimulating, enjoyable learning activities to develop their habits of mind and learning capabilities.
- Learning at a time to suit their lifestyle needs.
- Opportunities to focus on personal effectiveness and wellbeing; developing a sense of self, building self-esteem and positively managing relationships through reflection and understanding of emotions.
- A central role in shaping the ethos and development of the Academy and develop a sense of belonging and shared responsibility.
- A clear focus on self-discipline, independent learning and personal achievement.
- Ensure the young people have regular reviews, assessment and feedback of their learning and progress.
- Mentoring and self-reflection to help raise standards of achievement and eliminate any barriers that may impede their progress.
- Voluntary and work experience activities so they can learn from the local, national and international communities.

For the community:

- A 'one stop shop' for all their needs.
- Managed access to Academy facilities.
- Will ensure we have open and transparent communication to keep the community informed.
- A role in the development of the Academy through forums and access to the Governing Body.

For staff:

- Clear accountability with robust appraisal having a measureable impact on the young peoples' achievement and other qualitative outcomes.
- Opportunities to contribute to building the ethos of the Academy.
- Career pathway progression routes, with opportunities for on-going high quality professional development.
- Mentoring and coaching to support self and aspirations.
- Share best practice within the Academy, locally, nationally and internationally to develop the Academy's collective professional expertise, capacity and potential.
- Opportunities and entitlement to take risks and develop dynamic creative and innovative materials for teaching delivery.
- A team approach to planning and reviewing approaches to learning and teaching.
- Structured opportunities for reflection and accurate self-review leading to constructive and professional performance management.

## **Governors' Report (continued)**

### **Objectives, Strategies and Activities (continued)**

- ICT to support learning, assessment and mentoring.

The challenges facing the Academy:

- Changing a culture of low expectations and disengagement with learning.
- Recruiting and retaining quality teaching and support staff.
- Engaging and training staff in our new pedagogical approaches and ethos.
- Ensure that all staff and young people are aware of the potential use of ICT technologies.
- Ensure that our new ICT technologies are future proof and portable.
  
- Embed new structure and processes at the same time as accelerating the momentum of school improvement.
- Improve attendance, punctuality and reduce exclusions and truancy.
- Widen established networks and build new partnerships.

### Public Benefit

The governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties and have given careful consideration to this in setting the objectives and planning the activities of the Academy.

The Academy has given a high priority to providing public benefit to a cross section of the community, but perhaps the greatest benefit that the Academy offers is the provision of an education that maximises young people's potential to develop into principled, informed, open minded and confident citizens who respect the beliefs of others and who are determined to make a positive contribution to society.

The Academy's Ethos:

The Academy is grounded in Christian values of love, respect and celebration and has the learning of all our young people at its heart. This focus will lead to the transformation of learning for all, for staff, for families and for the wider community.

The Academy raises aspiration and achievement and aims to be the school of choice for our local community and beyond.

The Academy's specialisms of sport and mathematics will encourage all to develop the skills and understanding which underpin our culture and, at the same time, respect, value and cultivate health and physical wellbeing, entirely in keeping with the Christian foundation.

## **Governors' Report (continued)**

### **Public Benefit (continued)**

The Academy benefits from the partnerships with the Church of England (Diocese of Salisbury) and Bournemouth University. This partnership is committed to innovation and excellence in learning and teaching.

The Academy will provide a Christian environment of care, support and learning. It welcomes young people and their families from all faiths and none, reflecting the Church of England's long standing commitment to education for all.

### **Achievements and Performance**

The year focussed on raising the quality of teaching and improving literacy and numeracy. One major success was the noticeable increased confidence which the young people exhibited through their verbal communications with visitors and staff. This has been an aspect of the Academy that a number of educational experts have commented on. The young people have been involved in some elements of the design of the new building and have been excited as they have seen the removal of the obsolete facilities and the gradual rise of a new and innovative learning space.

An achievement over the year was ensuring that all staff received high quality professional development with an emphasis on middle management leadership led by Olevi, an external company.

The introduction of a more vocational curriculum has been a success especially with the more disengaged and disaffected young people. We had a 96% success rate with these young people and have been able to offer two of our year elevens apprenticeships for the 2012-13 academic year. We had a further improvement in our 5A\*-C with English and Maths results for 2012/13. Our frustration was the number of D grades the young people achieved, which if they had been C grades would have taken us bench mark.

Another emphasis over the year has been on celebrating and rewarding success. We had our third Prize Giving and Sports Award evenings which were well received and we introduced a new reward system.

We achieved one of the lowest exclusion rates in Poole and we also saw a continuing improvement in the young peoples' attendance. This is an area that we will continue to develop. We have not done a permanent exclusion since we opened.

The relationships with the families, the community and local businesses have grown over the year. We have received support from Cobham Industries, our 'Business in the Community partner.'

This relationship has included a £10,000 sponsorship to raise the Academy's profile in the community through a focused marketing plan. Cobham have also provided mentors for our young people as well as hosting visits for some of our young people at their headquarters.

Once the new building was sufficiently progressed we have invited parents, carers and the community to have tours of the new building. This has been very successful, especially as a number of parents and even grandparents had been pupils at the predecessor school.

## Governors' Report (continued)

### Going Concern

We believe that the Academy will remain a going concern. We have taken into account the current deficit and operational cash flow position and have prepared financial plans for the short and medium term. These indicate that the Academy will be able to meet their operational costs each year going forward. In 2013/14 and 2014/15 it is projected that the Academy will maintain the deficit. The Academy has projected an on-going increase in pupil numbers and having aligned increases in staffing to match these increases it is projected that from 2015/16 onwards the Academy will be able to reduce the deficit balance each year. It is anticipated that the Academy will be able to begin to build reserves from 2020/21 onwards.

The Academy believes that the EFA will provide support to enable us to manage the projected negative operational cash flows that would prevent the Academy from meeting its financial obligations. It is anticipated that this support would be through staged early drawdowns of funding that the Academy would be required to repay. The evidence that we have for this assumption is:

- The EFA clearly layout their approach to supporting Academies with negative cash flows through their document titled "Academies Advances of Funding".
- The EFA have already responded to our first request for advanced funding by providing £650,000 in November 2013.
- The EFA have shown their support of the Academy through their investment of £11.1 million for the capital project.

Finally, if the EFA are not fully assured that the Governing Body has the capacity or capability to manage the Academy's finances, under the Funding Agreement signed between the Trustees and the EFA, the EFA will be able to remove the Trustees and Governors and put into place an alternative means for the Academy to continue to support the young people and the community it serves.

### **Financial Review**

Most of the Academy's income is obtained from the Department for Education (DfE) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the year ended 31 August 2013 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During the year ended 31 August 2013, total expenditure (excluding pension deficit & exceptional items) of £4,284,000 (2012: £4,675,000) was not covered in full by recurrent grant funding from the DfE and other incoming resources. Although the Statement of Financial Activities shows a surplus of income over expenditure before exceptional items and other gains and losses for the year of £10,289,000 (2012: £331,000), this includes the restricted fixed asset fund which had incoming resources of £10,749,000 (2012: £629,000) in connection with the new capital build. Therefore the recurring activities of the Academy produced surplus unrestricted funds of £12,000 (2012: £21,000) and deficit restricted funds of £472,000 (2012: (£146,000)) before pension deficit and exceptional items. Expenditure during the year supported the key objectives of the Academy. A deficit was expected as a result of funding cuts and increased costs in connection with the improvement of the Academy. The governors are carefully monitoring budgets, costs and funding with a view to bringing the Academy to a position where deficits are not being produced.

During the year ended 31 August 2013 the Academy incurred an exceptional non-operational loss of funds of £1,205,000. The loss was incurred as a result of a single transaction enacted externally

## **Governors' Report (continued)**

and a subsequent fundamental breakdown in internal controls. The loss includes the costs associated with the on-going process of recovery. The governors are confident that this break down in controls has been rectified. Ongoing monitoring and reviewing of internal controls through internal audit will ensure these controls are adhered to and kept up to date.

The Academy's projected increases in pupil numbers and five year plan will be reviewed by the Governors on a regular basis. The projected income and expenditure and the cash flow will identify the pinch points in the operational cash flow. Governors will continue to review and monitor the weekly bank balance position will provide the EFA with this information on a monthly basis.

The buildings are currently subject to a 125 year lease between Borough of Poole and the Academy at a nominal rent and this value has not been recognised on the Balance sheet.

The Pension Fund has had a deficit increase from £558,000 to £663,000.

### Financial and Risk Management Objectives and Policies

The Board of Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The governors have implemented a number of systems to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see The Purpose of the System of Internal Control in the Governance Statement) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Board of Governors has identified that the internal financial controls were inadequate and that there was a culture of non-compliance with these controls. The Board of Governors has commissioned an external review of the internal controls and has developed and implemented an action plan to address the issues identified in this review (see The Purpose of the System of Internal Control in the Governance Statement).

### Principal Risks and Uncertainties

See The Risk and Control Framework in the Governance Statement.

### Reserves Policy

The governors regularly review the reserves levels of the Academy. The operational cashflow does not permit the Academy to generate reserves at this time. The need to remove the current deficit means that the Academy has no reserves but it intends to building up free reserves when possible.

The projected increase of pupils in five years will allow the Academy to build reserves. This should occur in year three, while in years one and two the Academy is maintaining the deficit. The Governing Body will continue to keep this under review.

## Governors' Report (continued)

### Investment Policy

The Academy is committed to meeting the Public Service Values and this policy aims manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Academy aims to invest surplus cash funds to optimise returns, but ensuring the investment instruments are such that there is no risk to the loss of these cash funds.

An investment policy was approved by the governing Body on 21st October 2012.

### Plans for Future Periods

We will continue to have a relentless focus on raising standards through ensuring we have high quality learning and teaching. The curriculum will also continue to be developed as we move towards an Academy that offers access to learning any time, any place and anywhere. The Academy is focused on ensuring it continues to meet the needs around the Age of Transfer and the Raising of the Participation Age in 2014.

The £11.1 million to refurbish and build the Academy was partially completed and was opened in September 2013. The capital project will be completed by February 2014, giving the young people a safe and secure environment, with innovative internal and external learning places to support their progress and attainment.

Achieving our vision to ensure that we meet the needs of our young people, their families and the community within a well-established Christian ethos will always be central to any future plans.

The Academy plans for the future are:

- raise progress, attainment, achievement and aspirations across the Academy;
- develop the staff of the Academy to ensure a high quality learning experience for the young people;
- develop the young people in order to raise their aspirations, sense of self-worth and to prepare them for the world of work and a role in their community;
- develop a good reputation and good ties with parents and the local community; and
- develop an 'Educare' quality environment to support learning.

This will be mapped to the Academy's five key performance indicators as follows:

### Key Performance Indicators (KPIs)

#### TARGETS 2013-2014

Aspirational Attainment targets	55% A*-C in Maths
	60% A*-C in English
	47% 5A*-C Inc. English & Maths
	10% EBAC (Educational Baccalaureate)
	55% 5A*-C
	100% A*-G

**Governors' Report (continued)**

**Plans for Future Period (continued)**

Quality of Teaching	80% of observed teaching good or outstanding (50% Good 30% Outstanding)
Attendance and persistent absence	95% Attendance
Literacy	Reading – 15% reduction of those with a reading age 2 or more years below chronological age. Spelling – 25% increase in young people achieving the standard mean score.
Rates of Progress for the whole Academy	80% of young people in all subjects make national expectations of progress of which 60% exceed national expectations.

**Auditor**

In so far as the governors are aware:

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

A resolution to reappoint Crowe Clark Whitehill LLP for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 485 of the Companies Act 2006.

Approved by order of the members of the governing body on..... and signed on its behalf by:

.....  
**Anthony Moore**  
**Chair**

## Governance Statement

### Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that the Academy 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 Principal, Cheryl Heron, 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 the Academy and the Secretary of State for Education. She is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

### Governance

The Governing Body has formally met 4 times during the year. Attendance during the year of meetings of the Governing Body was as follows:-

Governor		Meetings attended	Out of a possible
Duncan	Allard	4	4
David	Ball	1	1
Susanne	Clarke	1	3
Ann	Fernandez	3	4
Rachel	Hemsley	3	4
Cheryl	Heron	4	4
Rvd. Peter	Homden	4	4
Steve	MacLure	4	4
Tony	Moore	1	4
Alison	Mountford	2	4
Rvd. David	Price	4	4
Andrew	Rickett	1	4
Xavier	Velay	1	2

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Academy's 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 under gone a complete review and in response to the outcomes

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

of the review strategies have been put in place to rectify any weaknesses. This work will continue, with ongoing monitoring and reviewing in 2013-14.

### **Capacity to Handle Risk**

The Governing Body has reviewed the key risks to which the Academy 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's significant risks that has been in place for the year ended 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is continually being reviewed by the Governing Body.

### **The Risk and Control Framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body;
- regular reviews by the Staff and Resources Committee (now reformed as the Finance, Audit and Resources 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.

In addition, the Governors have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although it is not mandatory for the Academy it should, as a publicly funded body, adopt these guidelines as best practice. Accordingly they have set policies on internal controls which cover the following:

- the type of risks the Academy face;
- the level of risks which they regard as acceptable;
- the likelihood of the risks materialising
- the Academy's ability to reduce the incidence and impact on the Academy's operation of risks that do materialise;
- the costs of operating particular controls relative to the benefits obtained;
- clarified the responsibility of the Senior Management Team to implement the Governors' policies and to identify and evaluate risks for the Governors' consideration;
- explained to employees that they have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Academy's operations so that it becomes part of the culture of the Academy;
- developed systems to respond quickly to evolving risks arising from factors within the Academy and to changes in the external environment; and
- included procedures for reporting failings immediately to appropriate levels of management and the governors together with details of corrective action being undertaken.

**Governance Statement (continued)**  
**Risk and Control Framework (continued)**

The Governing Body has considered the need for a specific internal audit function and has terminated the contract with the Responsible Officer (The last visit was January 2013) and instead to appoint an Internal Audit Function. The Governing Body has agreed to appoint Princecroft Willis, who will commence their internal control functions from January 2014.

The Responsible Officer's role included giving advice on financial matters and performing a range of checks on the Academy's financial systems as required by the financial framework required by the Department for Education. On a quarterly basis, the Responsible Officer reported to the governors at the Staff and Resources Committee Meeting on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities. In future, the Internal Auditor will fulfil this role. These arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material error or irregularities are either prevented or would be detected within a timely period.

**Review of Effectiveness**

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

- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the Executive Leadership Team within the Academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has advised the Governing Body of the implications of the result of the review of the system of internal control and has presented a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Governing Body on .....and signed on its behalf by:

.....  
**Anthony Moore**  
**Chair**

.....  
**Cheryl Heron**  
**Principal / Accounting Officer**

**Statement on Regularity, Propriety and Compliance**

As Accounting Officer of The St. Aldhelm's Academy I have considered my responsibility to notify the Academy's Governing Body and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

I confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Board of Governors and the EFA or, if occurring after the date of this statement, will be notified to the Board of Governors and the EFA.

During the year ended 31 August 2013 the Academy incurred an exceptional non-operational loss of funds of £1,205,000. The loss was incurred as a result of a single transaction enacted externally and a subsequent fundamental breakdown in internal controls. The loss includes the costs associated with the on-going process of recovery.

.....  
**Cheryl Heron**  
**Principal / Accounting Officer**

## Statement of Governors' Responsibilities

The governors (who act as trustees for charitable activities of The St. Aldhelm's Academy and are also directors of the Academy for the purposes of company law) are responsible for preparing the Governors' 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 governors to prepare financial statements for each financial year. Under company law the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Academy and of the incoming resources and application of resources, including its income and expenditure for the year. In preparing these financial statements, the governors are required to:

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

The governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy's transactions and disclose with reasonable accuracy at any time the financial position of the Academy 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 Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The governors are responsible for ensuring that in its conduct and operation the Academy applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring that grants received from the Education Funding Agency and Department for Education have been applied for the purposes intended.

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

The governors were made aware of the exceptional item of £1,205,000 as detailed in these financial statements and subsequent notes at the first opportunity by the Accounting Officer.

Approved by order of the members of the governing body on..... and signed on its behalf by:

.....  
**Anthony Moore**  
**Chair**

## **Independent Auditor's Report to the Members of The St. Aldhelm's Academy**

We have audited the financial statements of St Aldhelm's Academy for the year ended 31 August 2013 set out on pages 23 to 46.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies' Accounts Direction 2013 issued by the Education Funding Agency.

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

### **Respective responsibilities of governors and auditor**

As explained more fully in the Statement of Governors' Responsibilities, the governors (who are also the directors of the Charitable Company for the purpose 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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Governors' 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 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Academies' Accounts Direction 2013 issued by the Education Funding Agency; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Academy's ability to continue as a going concern. The Academy has a negative restricted general fund of £1,594k and net current liabilities of £293k at the Balance Sheet date. This condition indicates the

**Independent Auditor's Report to the Members of The St. Aldhelm's Academy (continued)**

existence of a material uncertainty which may cast significant doubt about the Academy's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

**Guy Biggin**

Senior Statutory Auditor

For and on behalf of

**Crowe Clark Whitehill LLP**

Statutory Auditor

Carrick House

Lypiatt Road

Cheltenham GL50 2QJ

Date

## **Independent Auditor's Report on Regularity to the Governing Body of The St. Aldhelm's Academy and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 5 August 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies: Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether, the expenditure disbursed and income received by the St Aldhelm's Academy Trust during the period 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the governing body and the EFA in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the St Aldhelm's Academy Trust 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 the governing body and the EFA, for our review work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of St Aldhelm's Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of St Aldhelm's Academy Trust's funding agreement with the Secretary of State of Education dated 5 January 2010 and the Academies Financial Handbook, extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2013 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 Trust's income and expenditure. The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

**Independent Auditor's Report on Regularity to the Governing Body of The St. Aldhelm's Academy and the Education Funding Agency (continued)**

**Conclusion**

Except for the loss disclosed in note 10 to the financial statements, in the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2012 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Crowe Clark Whitehill LLP**

Statutory Auditor  
Carrick House  
Lypiatt Road  
Cheltenham GL50 2QJ

Date:

**Statement of Financial Activities for the Year Ended 31 August 2013 (including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	<b>Total 2013 £000</b>	Total 2012 £000
<b>Incoming resources</b>						
<i>Incoming resources from generated funds:</i>						
Voluntary income	3	7	-	10,749	<b>10,756</b>	633
Activities for generating funds	4	216	-	-	<b>216</b>	175
Investment income	5	40	-	-	<b>40</b>	1
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations	6	-	3,561	-	<b>3,561</b>	4,197
<b>Total incoming resources</b>		<b>263</b>	<b>3,561</b>	<b>10,749</b>	<b>14,573</b>	<b>5,006</b>
<b>Resources expended</b>						
<i>Cost of generating funds:</i>						
Fundraising trading		251	-	-	<b>251</b>	166
<i>Charitable activities:</i>						
Academy's educational operations	8	-	3,996	-	<b>3,996</b>	4,291
Governance costs	9	-	37	-	<b>37</b>	218
<b>Total resources expended</b>	7	<b>251</b>	<b>4,033</b>	<b>-</b>	<b>4,284</b>	<b>4,675</b>
<b>Net incoming/(outgoing) resources before exceptional item</b>		<b>12</b>	<b>(472)</b>	<b>10,749</b>	<b>10,289</b>	<b>331</b>
Exceptional item	10	-	(1,205)	-	<b>(1,205)</b>	-
<b>Net income/(expenditure) for the year</b>		<b>12</b>	<b>(1,677)</b>	<b>10,749</b>	<b>9,084</b>	<b>331</b>
<b>Other recognised gains and losses</b>						
Actuarial losses on defined benefit pension schemes	18, 26,27	-	(22)	-	<b>(22)</b>	(205)
<b>Net movement in funds</b>		<b>12</b>	<b>(1,699)</b>	<b>10,749</b>	<b>9,062</b>	<b>126</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 September 2012	18	14	(558)	633	<b>89</b>	(37)
<b>Total Funds carried forward at 31 August 2013</b>	18,19	<b>26</b>	<b>(2,257)</b>	<b>11,382</b>	<b>9,151</b>	<b>89</b>

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

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

**Balance Sheet as at 31 August 2013**

	Note	2013 £000	2013 £000	2012 £000	2012 £000
<b>Fixed assets</b>					
Tangible assets	14		<b>10,107</b>		633
<b>Current assets</b>					
Stock	15	<b>5</b>		14	
Debtors	16	<b>739</b>		186	
Cash at bank and in hand		<b>960</b>		916	
			<b>1,704</b>	1,116	
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	17	<b>(1,997)</b>		(1,102)	
<b>Net current (liabilities)/ assets</b>			<b>(293)</b>		14
Total assets less current liabilities			<b>9,814</b>		647
Pension scheme liability	27		<b>(663)</b>		(558)
<b>Net assets including pension liability</b>			<b>9,151</b>		89
<b>Funds of the academy:</b>					
<b>Restricted income funds</b>					
Fixed asset funds	18		<b>11,382</b>		633
General funds	18		<b>(1,594)</b>		-
Pension reserve	18		<b>(663)</b>		(558)
<b>Total restricted funds</b>			<b>9,125</b>		75
<b>Unrestricted income funds</b>					
General fund(s)	18		<b>26</b>		14
<b>Total unrestricted funds</b>			<b>26</b>		14
<b>Total funds</b>			<b>9,151</b>		89

The financial statements on pages 23 to 46 were approved by the Governors, and authorised for issue on .....2013 and are signed on their behalf by:

.....  
**Anthony Moore**  
**Chair**  
 Company Limited by Guarantee  
 Registration Number 06959707

**Cash Flow Statement for the Year Ended 31 August 2013**

	Notes	<b>2013 £000</b>	2012 £000
<b>Net cash inflow from operating activities</b>	22	<b>(1,230)</b>	468
Returns on investments and servicing of finance	23	<b>40</b>	1
Capital expenditure	24	<b>1,234</b>	(26)
Increase in cash in the year	25	<u><b>44</b></u>	<u>443</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2012		<b>916</b>	473
<b>Net funds at 31 August 2013</b>		<u><b>960</b></u>	<u>916</u>

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 1 Accounting Policies

#### Basis of Preparation

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

#### Going Concern

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

We believe that the Academy will remain a going concern. We have taken into account the current deficit and operational cash flow position and have prepared financial plans for the short and medium term. These indicate that the Academy will be able to meet their operational costs each year going forward. In 2013/14 and 2014/15 it is projected that the Academy will maintain the deficit. The Academy has projected an on-going increase in pupil numbers and having aligned increases in staffing to match these increases it is projected that from 2015/16 onwards the Academy will be able to reduce the deficit balance each year. It is anticipated that the Academy will be able to begin to build reserves from 2020/21 onwards.

The Academy believes that the EFA will provide support to enable us to manage the projected negative operational cash flows that would prevent the Academy from meeting its financial obligations. It is anticipated that this support would be through staged early drawdowns of funding that the Academy would be required to repay. The evidence that we have for this assumption is:

- The EFA clearly layout their approach to supporting Academies with negative cash flows through their document titled "Academies Advances of Funding".
- The EFA have already responded to our first request for advanced funding by providing £650,000 in November 2013.
- The EFA have shown their support of the Academy through their investment of £11.1 million for the capital project.

Finally, if the EFA are not full assured that the Governing Body has the capacity or capability to manage the Academy's finances, under the Funding Agreement signed between the Trustees and the EFA, the EFA will be able to remove the Trustees and Governors and put into place an alternative means for the Academy to continue to support the young people and the community It serves.

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 1 Accounting Policies (continued)

#### Incoming Resources

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

- **Grants receivable**

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

The General Annual Grant (GAG) is a restricted general fund in accordance with the Academy's funding agreement. More information is given in note 2.

Capital grants received are recognised as a restricted fixed asset fund in accordance with the Accounts Direction. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amount of capital grant are referenced in the balance in the restricted fixed asset fund.

- **Sponsorship income**

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

- **Donations**

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

- **Other income**

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

- **Donated Services and Gifts in Kind**

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

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 1 Accounting Policies (continued)

#### Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance Costs**

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

All resources expended are inclusive of irrecoverable VAT.

#### Tangible Fixed Assets

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

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

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 1 Accounting Policies (continued)

#### Tangible Fixed Assets (continued)

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset on the following bases over their expected useful lives, as follows:

Long leasehold buildings	2% straight line
Fixtures, fittings and equipment	25% straight line
Computer equipment	33% straight line

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

#### Leased Assets

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

#### Stock

Unsold uniforms, catering and stationery stocks are valued at the lower of cost and net realisable value. Items donated for resale or distributions are not included in the financial statements until they are sold or distributed.

#### 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.

#### Liabilities

Liabilities are recognised when either a constructive or legal obligation exists.

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 1 Accounting Policies (continued)

#### Pensions Benefits

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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), 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 quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

#### Fund Accounting

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

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

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

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 2 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, St. Aldhelm's Academy was subject to limits at 31 August 2013 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.

St. Aldhelm's Academy has not exceeded the 12% limit during the year ended 31 August 2013; however St. Aldhelm's Academy has exceeded the 2% limit during the year ended 31 August 2013.

### 3 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2013 £000</b>	Total 2012 £000
Capital grants	-	10749	<b>10,749</b>	159
Donations - JP Morgan	1	-	<b>1</b>	-
Donations - Talbot Village	3	-	<b>3</b>	-
Donations - ENTHUSE award	3	-	<b>3</b>	-
Private sponsorship	-	-	-	470
Other donations	-	-	-	4
	<u>7</u>	<u>10,749</u>	<u><b>10,756</b></u>	<u>633</u>

### 4 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2013 £000</b>	Total 2012 £000
Hire of facilities	19	-	<b>19</b>	49
Catering income	153	-	<b>153</b>	109
Sale of uniforms	20	-	<b>20</b>	13
Other income	24	-	<b>24</b>	4
	<u>216</u>	<u>-</u>	<u><b>216</b></u>	<u>175</u>

Notes to the Financial Statements for the Year Ended 31 August 2013

5 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2013 £000</b>	Total 2012 £000
Short term deposits	40	-	<b>40</b>	1
	<u>40</u>	<u>-</u>	<u><b>40</b></u>	<u>1</u>

6 Funding for Academy's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2013 £000</b>	Total 2012 £000
<b>DfE/EFA revenue grants</b>				
General Annual Grant (GAG) (note 2)	-	2,963	<b>2,963</b>	3,141
Start Up Grants	-	437	<b>437</b>	747
Other DfE/EFA Grants	-	59	<b>59</b>	250
	<u>-</u>	<u>3,459</u>	<u><b>3,459</b></u>	<u>4,138</u>
Other Government grants	-	80	<b>80</b>	-
Special Educational Projects	-	22	<b>22</b>	59
	<u>-</u>	<u>102</u>	<u><b>102</b></u>	<u>59</u>
	<u>-</u>	<u>3,561</u>	<u><b>3,561</b></u>	<u>4,197</u>

Notes to the Financial Statements for the Year Ended 31 August 2013

7 Resources Expended

	Staff Costs	Non Pay Expenditure		Total 2013 £000	Total 2012 £000
	£000	Premise s £000	Other Costs £000		
Costs of activities for generating funds	100	-	151	<b>251</b>	166
<b>Academy's educational operations</b>					
Direct costs	2,665	-	318	<b>2,983</b>	3,165
Allocated Support Costs	509	41	463	<b>1,013</b>	1,126
	<u>3,274</u>	<u>41</u>	<u>932</u>	<b>4,247</b>	4,457
Governance costs including allocated support costs	-	-	37	<b>37</b>	215
	<u>3,274</u>	<u>41</u>	<u>969</u>	<b>4,284</b>	4,675
				<b>2013</b>	2012
				<b>£000</b>	£000
<b>Incoming/(outgoing) resources for the year include:</b>					
Operating leases				-	22
<b>Fees payable to auditor</b>					
Audit				<b>17</b>	-
Other services				<b>15</b>	-
				<u><b>32</b></u>	22

Notes to the Financial Statements for the Year Ended 31 August 2013

8 Charitable Activities - Academy's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Teaching and educational support staff costs	-	2,657	2,657	2,750
Depreciation	-	41	41	40
Educational supplies	-	34	34	80
Examination fees	-	61	61	41
Staff development	-	-	-	40
Educational consultancy	-	3	3	77
Other direct costs	-	228	228	137
	-	3,024	3,024	3,165
<b>Allocation supported costs</b>				
Support staff costs	-	509	509	513
Recruitment and support	-	-	-	9
Maintenance of premises and equipment	-	15	15	36
Cleaning	-	23	23	87
Rent & rates	-	69	69	240
Insurance	-	31	31	30
Security and transport	-	5	5	27
Catering	-	-	-	63
Bank interest and charges	-	-	-	1
Other support costs	-	319	319	120
	-	971	971	1,126
	-	3,996	3,996	4,291

9 Governance Costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Legal and professional fees	-	-	-	2
Consultancy	-	6	6	50
<i>Auditor's remuneration</i>				
Audit of financial statements	-	15	15	9
Responsible officer audit	-	1	1	1
Accountancy, taxation and other	-	7	7	8
Support staff costs	-	8	8	148
	-	37	37	218

Notes to the Financial Statements for the Year Ended 31 August 2013

10 Exceptional item

	Total 2013 £000	Total 2012 £000
Financial loss	1,110	-
Legal and professional fees	95	-
	<u>1,205</u>	<u>-</u>

During the year ended 31 August 2013 the Academy incurred an exceptional non-operational loss of funds of £1,205,000. The external loss was incurred as a result of a fundamental breakdown in internal controls and the costs associated with the on-going process of recovery.

11 Staff Costs

	2013 £000	2012 £000
Staff costs during the year were:		
Wages and salaries	2,628	2,615
Social security costs	171	185
Pension costs	327	356
	<u>3,126</u>	<u>3,156</u>
Supply teacher costs	36	-
Compensation payments	72	302
Contracted operational staff	40	-
	<u>3,274</u>	<u>3,458</u>

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

	2013 No.	2012 No.
<b>Charitable Activities</b>		
Teachers	38	32
Administration and support	82	83
Management	5	5
	<u>125</u>	<u>120</u>

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

	2013 £000	2012 £000
£60,001 - £70,000	4	4
£100,001 - £110,000	1	1
	<u>5</u>	<u>5</u>

Three of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2012, pension contributions for these staff amounted to £31,084 (2011: £34,018). The other two employees participated in the Local Government Pension Scheme. Pension contributions amounted to £16,305 (2011: £24,011).

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 12 Governors' Remuneration and Expenses

Principal and staff governors (trustee governors) only received remuneration in respect of services they provided undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the Academy in respect of their role as governors. The banding of governors' remuneration was as follows:

Principal:	£105,000 - £110,000	(2012: £105,000 - £110,000)
Other staff governor:	£35,000 - £40,000	(2012: £35,000 - £40,000)

During the year ended 31 August 2013, travel and subsistence expenses totalling £nil were reimbursed to governors (2012: £nil).

Related party transactions involving the governors are set out in note 28.

### 13 Governors' and Officers' Insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2 million on any one claim and the cost for the year ended 31 August 2013 was £889 (2012: £889).

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

### 14 Tangible Fixed Assets

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Assets Under Construction £000	Total £000
<b>Cost</b>					
At 1 September 2012	523	140	17	-	<b>680</b>
Additions	-	-	-	9,515	<b>9,515</b>
Transfer	(523)	-	-	523	-
At 31 August 2013	-	140	17	10,038	<b>10,195</b>
<b>Depreciation</b>					
At 1 September 2012	-	36	11	-	<b>47</b>
Charged in year	-	36	5	-	<b>41</b>
At 31 August 2013	-	72	16	-	<b>88</b>
<b>Net book values</b>					
At 31 August 2013	-	<b>68</b>	<b>1</b>	<b>10,038</b>	<b>10,107</b>
At 31 August 2012	523	104	6	-	<b>633</b>

Notes to the Financial Statements for the Year Ended 31 August 2013

**15 Stock**

	<b>2013</b> <b>£000</b>	2012 £000
Clothing	2	7
Catering	-	2
Stationery	3	5
	<u>5</u>	<u>14</u>

**16 Debtors**

	<b>2013</b> <b>£000</b>	2012 £000
Trade debtors	14	22
Recoverable VAT	604	105
Other debtors	33	1
Prepayments	88	58
	<u>739</u>	<u>186</u>

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

	<b>2013</b> <b>£000</b>	2012 £000
Trade creditors	486	237
Other taxation and social security	64	59
Other creditors	242	282
Accruals and deferred income	1,205	524
	<u>1,997</u>	<u>1,102</u>

**Deferred income**

	<b>2013</b> <b>£000</b>	2012 £000
Deferred income at 1 September 2012	104	24
Resources deferred in the year	35	104
Amounts released from previous years	(104)	(24)
Deferred income at 31 August 2013	<u>35</u>	<u>104</u>

Deferred income represents a capital grant received from the Department for Education which is specifically towards the capital build costs in 2013/14.

Notes to the Financial Statements for the Year Ended 31 August 2013

18 Funds

	Balance at 1 September 2012 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2013 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	2,993	(3,382)	-	(389)
Start Up Grant	-	437	(437)	-	-
Other DfE/EFA grants	-	131	(131)	-	-
Pension reserve	(558)	-	(83)	(22)	(663)
	(558)	3,561	(4,033)	(22)	(1,052)
<b>Restricted general funds</b>					
Exceptional Item	-	-	(1,205)	-	(1,205)
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	159	10,749	-	-	10,908
Capital expenditure from GAG	4	-	-	-	4
Private sector capital sponsorship	470	-	-	-	470
	633	10,749	-	-	11,382
<b>Total restricted funds</b>	<b>75</b>	<b>14,310</b>	<b>(5,238)</b>	<b>(22)</b>	<b>9,125</b>
<b>Unrestricted funds</b>	<b>14</b>	<b>263</b>	<b>(251)</b>	<b>-</b>	<b>26</b>
<b>Total funds</b>	<b>89</b>	<b>14,573</b>	<b>5,489</b>	<b>(22)</b>	<b>9,151</b>

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

General Annual Grant (GAG) must be used for the normal running cost of the Academy. The Academy is allowed to carry forward up to 12% of the current GAG. Up to 2% of the carried forward amount can be used for general purpose at the discretion of the Academy, but any balance above 2% must be used for capital purpose. Note 2 disclosed whether this limit was exceeded.

The restricted fixed asset fund represents capital grants received to finance capital expenditure for the Academy. Part of this results from an allocation of GAG income for capital expenditure.

Unrestricted funds have arisen from the Academy's ancillary services such as the provision of catering, hire of facilities, sale of uniforms and donations received.

**Notes to the Financial Statements for the Year Ended 31 August 2013**

**19 Analysis of net assets between funds**

Fund balances at 31 August 2013 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	10,107	<b>10,107</b>
Current assets	26	(656)	2,334	<b>1,704</b>
Current liabilities	-	(938)	(1,059)	<b>(1,997)</b>
Pension scheme liability	-	(663)	-	<b>(663)</b>
<b>Total net assets</b>	<b>26</b>	<b>(2,257)</b>	<b>11,382</b>	<b>9,151</b>

**20 Capital commitments**

	2013 £000	2012 £000
Contracted for, but not provided in the financial statements	<u>228</u>	<u>-</u>

**21 Financial commitments**

***Operating leases***

At 31 August 2013 the Academy had annual commitments under non-cancellable operating leases as follows:

	2013 £000	2012 £000
<b>Other</b>		
Expiring within one year	<u>-</u>	<u>22</u>
	<u>-</u>	<u>22</u>

Notes to the Financial Statements for the Year Ended 31 August 2013

**22 Reconciliation of net income to net cash inflow from operating activities**

	<b>2013</b>	2012
	<b>£000</b>	£000
Net income	<b>9,084</b>	331
Depreciation (note 14)	<b>41</b>	40
Capital grants from DfE/EFA and other capital income	<b>(10,749)</b>	(629)
Interest receivable (note 5)	<b>(40)</b>	(1)
FRS 17 pension cost less contributions payable (note 27)	<b>65</b>	22
FRS 17 pension finance income (note 27)	<b>18</b>	17
Decrease/(Increase) in stocks	<b>9</b>	(2)
Decrease/(Increase) in debtors	<b>(553)</b>	30
Increase/(Decrease) in creditors	<b>895</b>	660
<b>Net cash inflow from operating activities</b>	<b>(1,230)</b>	468

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

	<b>2013</b>	2012
	<b>£000</b>	£000
Interest received	<b>40</b>	1
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>40</b>	1

**24 Capital expenditure and financial investment**

	<b>2013</b>	2012
	<b>£000</b>	£000
Purchase of tangible fixed assets	<b>(9,515)</b>	(655)
Capital grants from DfE/EFA	<b>10,749</b>	159
	<b>-</b>	470
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>1,234</b>	(26)

**25 Analysis of changes in net funds**

	At 1 September 2012 £000	Cash flows £000	At 31 August 2013 £000
Cash in hand and at bank	916	44	<b>960</b>

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 26 Members' Liability

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

### 27 Pension and Similar Obligations

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

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

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

#### Teachers' Pension Scheme

##### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lectures in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

##### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

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

## Notes to the Financial Statements for the Year Ended 31 August 2013

### Valuation of the Teachers' Pension Scheme

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

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

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes introduced in 2015.

### Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will

## Notes to the Financial Statements for the Year Ended 31 August 2013

also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside the 10 year protection.

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

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

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £186,668, of which employer's contributions totalled £138,617 and employees' contributions totalled £48,051. The agreed contribution rates for future years are 18.2% for employers and 6.5% for employees.

#### Principal Actuarial Assumptions

	At 31 August 2013	At 31 August 2012
Rate of increase in salaries	4.9%	3.9%
Rate of increase for pensions in payment / inflation	2.9%	1.9%
Discount rate for scheme liabilities	4.7%	3.9%
Inflation assumption (CPI)	2.9%	1.9%
Commutation of pensions to lump sums	50%	50%

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

	At 31 August 2013	At 31 August 2012
<i>Retiring today</i>		
Male	20.1	20.0
Females	24.1	24.0
<i>Retiring in 20 years</i>		
Males	22.1	22.0
Females	26.0	25.9

**Notes to the Financial Statements for the Year Ended 31 August 2013**

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

	<b>Expected return at 31 August 2013</b>	<b>Fair value at 31 August 2013 £000</b>	<b>Expected return at 31 August 2012</b>	<b>Fair value at 31 August 2012 £000</b>
Equities	6.5%	602	5.8%	439
Gilts	3.5%	194	2.8%	144
Property	4.5%	78	3.8%	65
Cash	0.5%	49	0.5%	36
Target Return Portfolio	2.5%	49	2.5%	36
<b>Total market value of assets</b>		<b>972</b>		<b>720</b>
Present value of scheme liabilities funded		<b>(1,635)</b>		<b>(1,278)</b>
<b>Deficits in the scheme</b>		<b>(663)</b>		<b>(558)</b>

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 September 2012 for the year to 31 August 2013). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £108,000 (2012: £65,000).

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

	<b>2012 £000</b>	<b>2012 £000</b>
Current service cost (net of employee contributions)	<b>203</b>	161
Total operating charge	<b>203</b>	161

**Analysis of pension finance income (costs)**

Expected return on pension scheme assets	<b>36</b>	31
Interest on pension liabilities	<b>(54)</b>	(48)
<b>Pension finance income (costs)</b>	<b>(18)</b>	(17)

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS 17 is a £178,000 loss (2011: £156,000 loss).

Notes to the Financial Statements for the Year Ended 31 August 2013

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

	<b>2013</b>	2012
	<b>£000</b>	£000
<b>At 1 September</b>	<b>1,278</b>	786
Current service cost	<b>203</b>	161
Interest cost	<b>54</b>	48
Employee contributions	<b>48</b>	48
Actuarial loss (gain)	<b>94</b>	241
Benefits paid	<b>(42)</b>	(6)
<b>At 31 August</b>	<b><u>1,635</u></b>	<u>1,278</u>

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

	<b>2013</b>	2012
	<b>£000</b>	£000
<b>At 1 September</b>	<b>720</b>	472
Prior year value recognised on transfer to Academy	-	-
Expected return on assets	<b>36</b>	31
Actuarial gain (loss)	<b>72</b>	36
Employer contributions	<b>138</b>	139
Employee contributions	<b>48</b>	48
Benefits paid	<b>(42)</b>	(6)
<b>At 31 August</b>	<b><u>972</u></b>	<u>720</u>

The estimated value of employer contributions for the year ended 31 August 2014 is £138,000.

The history of experience adjustments is as follows:

	<b>2013</b>	2012	2011
	<b>£000</b>	£000	£000
Present value of defined benefits obligations	<b>(1,635)</b>	(1,278)	(786)
Fair value of share of scheme assets	<b>972</b>	720	472
<b>Deficit in the scheme</b>	<b><u>(663)</u></b>	<u>(558)</u>	<u>(314)</u>
Experience adjustments on share of scheme	<b>72</b>	36	19
Experience adjustments on scheme liabilities	<b>94</b>	241	(30)

## Notes to the Financial Statements for the Year Ended 31 August 2013

### 28 Related party transactions

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

The following related party transaction took place in the period of account:

Peter Homden, a governor trading as St John's Church, invoiced the Academy £40,000 (2012: £46,667) during the year for chaplain services provided. There were no amounts outstanding, (2012: £nil).

Included within other creditors at 31<sup>st</sup> August 2013 was £nil (2012: £191,135) owed to the Diocese of Salisbury for monies provided to the Academy in advance of funding in connection with expenditure for capital.