Grasmere Academy

Learn • Flourish • Achieve

Grasmere Academy
(A Company Limited by Guarantee)

Annual Report and Financial Statements
For the period ending 31 August 2014

Company Registration number: 08132137 (England and Wales)

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Reference and Administrative Details

Governors (Trustees)	L Goossens (Chair) E Dodds P Sillitoe A Josephs Dr A Sethi A Welsh (Vice Chair) H Jones T Playle (resigned 30 January 2014) D Baldwin D Hodgson J McCarty L Turner (appointed 10 July 2014)
Company Secretary	H Almquist
Senior Management Team	
Head Teacher	E Overton – Interim Headteacher (1st May 2013 – 31st October 2013) K Lilico – Interim Headteacher (appointed 1st Novemb 2013)
Assistant Head Teachers	L Dickinson L Judson
Principal and Registered Office	Grasmere Academy Grasmere Court Killingworth, Tyne and Wear NE12 6TS
Company Registration Number	08132137 (England and Wales)
Auditors	Mitchell Charlesworth LLP Centurion House 129 Deansgate Manchester, M3 3WR
Bankers	Barclays Bank (appointed September 2014) 38 Bridge Street Morpeth NE61 1NL The Cooperative Bank (until August 2014) 84 – 86 Grey Street, Newcastle NE1 6EZ
Solicitors	Muckle LLP Time Central

32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Governors' Report

The Governors (who are Trustees under the Charities Act 2011 and Directors under the Companies Act 2006) present their annual report together with the financial statements and auditor's report of the Charitable Company for the period 1 September 2013 to 31 August 2014. The report has been prepared in accordance with Part VIII of the Charities Act 2011 and the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies on pages 29 to 33 and comply with the Charitable Company's Memorandum and Articles of Association, the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005 ("SORP 2005").

The trust operates an academy for pupils aged 3 to 11 serving a catchment area in the North West of North Tyneside. It has a pupil capacity of 210 and had a roll of 106 in the school census on January 2014.

Structure, Governance and Management

Constitution
Grasmere Academy is a company limited by guarantee (company number 08132137, incorporated on 5 July 2012) and an exempt Charity. The Memorandum and Articles of Association are the prime documents governing the Academy. Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 3.

Members' Liability
The liability of the members of the charitable company is limited. Each member of the charitable company undertakes to contribute such amount as may be required (limited to £10) upon winding up of the charitable company.

Governors' Indemnities

The Charitable Company has purchased Governors' Liability insurance and Fidelity Guarantee cover (the latter also covers staff). The cost of this insurance is included in the total insurance cost.

Method of Recruitment and Appointment of Governors
The Governors of Grasmere Academy act as Directors of the charitable company for the purposes of Company Law. Details of Governors who served throughout the year are included in the Reference and Administrative Details section on page 3. The appointment of Governors is provided for in the Articles of Association.

The Chair is drawn from the members of the Board and appointed with the agreement of the North Tyneside Academy Foundation, who are the sponsors of Grasmere Academy. Appointment and removal of Directors is subject to any restrictions imposed by the Education Act.

Governors' Report continued

Staff Governors are elected by the staff employed by the Academy Trust. Parent Governors are elected by the parents of the current pupils of the Academy Trust.

Policies and Procedures for Induction and Training of Governors

Governors are given appropriate induction on appointment and will be provided with access to appropriate training during their appointment to the board. This training will cover the roles and responsibilities of acting as a Governor. The Academy bought into a Service Level Agreement (SLA) from North Tyneside Council which provided regular update training for all Governors. The Academy has analysed the skills and experience of all governors and will use this to plan further development for them moving forward.

Organisational Structure

The charitable company comprises of a full Board of Governors with three sub committees; Staffing, Finance and Premises (which meets twice Termly); Ethos (which meets Termly) and Quality (which meets Termly). The Academy has a detailed system of delegation of responsibilities which is agreed annually by the full governors. Each committee also has detailed terms of reference which are reviewed annually. The Headteacher and Chair of Governors are members of all committees. The Chief Executive and two Founding Governors from North Tyneside Academy Foundation are also members of the Governing Body. During the absence of a permanent Headteacher, the Chief Executive took on the role of Accounting Officer from 1 May 2013 to 31st October 2013. The current Interim Head Teacher took over this role in November 2013. The Senior Management Team consists of the Interim Headteacher and two Assistant Headteachers.

Powers to Be Exercised Only By the Full Governing Body or Members.

None of the responsibilities in this Paragraph may be further delegated.

a. Only the Academy Board may:

- Change the Constitution of the Governing Body
- Decide on a change of school category
- Delegate functions
- Establish committees
- Apply to change the governing documents
- Appoint Auditors

b. Only the Governing Body may:

- Elect or remove the Chair or Vice Chair of the Governing Body
- Appoint the Company Secretary
- Co-opt persons on to the Governing Body
- Suspend Governors

Governors' **Report continued**

c. Additionally the Governing Body has decided not to delegate the following:

- Decide what sex education is to be provided
- Agree any general principles on pupil discipline
- Decide any changes in the times of school sessions and dates of terms and holidays
- Appoint a Headteacher
- Approve the budget
- Ensure that a broad and balanced curriculum is implemented and targets set as required
- Ensure that RE and daily collective worship are provided
- Appoint auditors
- Appoint the Responsible Officer (RO)
- Agree the Annual Report and Accounts

Under Article 7 of the Articles of Association decisions are made by a majority decision at a meeting or by a unanimous decision under Article 8. This decision may be in writing.

The Governors receive no remunerations for acting as Governors.

At the annual Members' meeting the Governors report back to Members and discuss the future direction of the Academy in order to meet its objective. Based on a majority vote these decisions are then enacted and overseen by the Governors.

Connected Organisations including Related Party Relationship

Grasmere is sponsored by North Tyneside Academy Foundation which is part of the North Tyneside Learning Trust.

Objectives and Activities

Objects and Aims

The Academy's objective is set out in its Memorandum Funding Agreement and Articles of Association. In summary it is to advance education, health and training for all the children, young people and communities of North Tyneside and to promote community cohesion under the Education Act.

Careful consideration is given to the Charity Commission's general guidance on public benefit and in particular on advancing education for the children and young people of North Tyneside when planning Academy activities.

Governors' Report continued

The aims of the Academy are as follows:

- To provide a happy and secure environment where everyone learns how to learn together: educationally, morally and socially
- To foster high expectations of ourselves and other to help us realise our aspirations
- To ensure everyone is valued and respected for their individual qualities, capabilities and contributions
- To provide a modern, excellent, engaging curriculum that will inspire and challenge all learners and prepare them for the future
- To encourage the development of lively, enquiring and reflective minds
- To create an environment that encourages sensitivity to others' needs and beliefs, promoting respect and understanding
- To develop positive relationships through self discipline and taking responsibilities for our own actions
- To develop positive links that reflect and meet the needs of the local community and beyond, promoting social cohesion
- To challenge and support children to achieve well

Objectives, Strategies and Activities

The objectives identified for the year 2013/14 were:

- To ensure that attainment across the school is, at least, at Age Related Expectations and in line with national benchmarks
- To ensure that children make accelerated progress across the school relative to their starting points
- To use assessment effectively in order to track children's progress and attainment, with accuracy to inform teaching and learning of all pupils
- To raise standards in teaching and learning across the school in order to secure progress and attainment
- To create and deliver a rigorous and robust quality monitoring system
- To ensure that a suitable curriculum is being delivered in order to enrich and raise standards and achievement
- To develop a collaborative approach to leadership and management
- To ensure that attitudes to learning are reflected in a consistent whole school behaviour system
- To raise standards of achievement of vulnerable groups with accurate assessment and monitoring
- To develop intervention strategies for children with emotional, social and behavioural issues

Further details are contained in the School Improvement Plan

Governors' Report continued

Public Benefit

The Governors have given due consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

The Academy provides education to children and young people that is:

- Balanced and broadly based
- Promotes the moral, cultural, mental and physical development of students at the school and society
- Prepares students at the school for the opportunities, responsibilities and experiences of later life
- Promotes, sustains and increases individual and collective knowledge and understanding of study, skills and experience

The Academy is a non selective inclusive school serving North Tyneside. The Academy offers a partly flexible nursery provision for 3 and 4 year olds. Additionally Resourced Provision for children with moderate learning difficulties is also available. Children from across North Tyneside can be admitted to the Additionally Resourced Provision which is controlled by North Tyneside Council. Admissions to the Academy comply with a parental preference for the school unless the number of applications for the relevant age group exceeds the school's standard admission number or a higher published admission number and to admit an extra child would prejudice the provision of efficient education or the efficient use of resources.

Strategic Report

Achievements and Performance

Overview

This has been a very challenging year for the Academy. On the 23rd April 2014 the Academy had an Ofsted Inspection, which placed the school into the 'Serious Weakness' Category. This led to detailed action plans being put in place by the Board, the Governors and School. This automatically triggers Her Majesty's Inspectorate (HMI) visits on a regular basis, the first of which was conducted on 16th July 2014.

The main challenges for the Board and Governors have been:

- Improving the teaching and learning in school to consistently good

- Driving up standards because the standards are well below the national standards, including floor targets, which had been missed in 2013
- Falling pupil numbers
- Staffing and Management
- Maintaining a balanced Budget

Governors' Report continued

During the last Academic year the Academy received three Department for Education (DfE) visits and two monitoring visits from the Education Funding Agency (EFA), in order to support the school in moving forward. In order to ensure that the school balanced its budget and became viable, the Academy closed its Out of School Club in January 2014, making 3 members of staff redundant. The Academy then focussed on reviewing the staffing structure within the school, due to its fall in numbers. This resulted in a further member of staff being made redundant and existing staffing contracts not being renewed. The staffing ratio to pupils is now at an appropriate level. In addition to this, the Academy has worked with the Local Authority to secure a licence arrangement for a Local Authority run Emotional, Social & Behavioural Difficulty (ESBD) Additionally Resourced Provision (ARP), which commenced in September 2014. This will ensure that the Academy is financially viable for the foreseeable future.
Following the Ofsted inspection in April, HMI revisited the school on 16th July 2014 and was satisfied that current school action plans were fit for purpose and Leaders and Governors had responded rapidly to the identified Areas for Improvement. As a result of these plans and actions the Academy saw its best End of Year results in July 2014, in Phonics, KS1 and KS2.

Key Performance Indicators

Although the Academy still fell slightly below floor targets, clear progress could be seen in KS2 results.

Pupil Outcomes and Achievements: Key Stage 2 2014: Cohort of 15 Year 6 children

Reading Level 4+ = 86% 2 levels progress = 100%
Writing Level 4+ = 71% 2 levels progress = 93%
Maths Level 4+ = 57% 2 levels progress = 71%

The Academy will continue striving to improve the levels of progress achieved by all the children. The Governing Body monitor the Academy Development Plan and Self Evaluation to ensure improvement continues to be achieved.

Admissions September 2013

No of pupils (Nursery)	12
No of pupils (Reception to Year 6)	86
No of places in ARP	6

Governors' Report continued

Staffing Costs as a % of Funding (including GAG)

	2013-2014	2012-2013
Teaching staff	36.1%	43.8%
Agency supply teachers	1.2%	4.1%
Seconded Headteacher	6.7%	1.5%
Support staff	15.1%	11.6%
Agency supply non teachers	0.3%	5.6%
Admin staff	3.8%	3.3%
Other staff	5.1%	5.6%
TOTAL	**68.3%**	**75.5%**

Going Concern

The Governors have a reasonable expectation that the Academy has adequate resources to continue in operational existence for the foreseeable future. For this reason it adopts the Going Concern basis in preparing these financial statements.

Financial Review

The majority of the Academy's income is obtained from the EFA in the form of General Annual Grant (GAG). During the year ended 31st August 2013 Grasmere received £621,038 in the form of GAG. In addition the following grants were also received from the EFA, Pupil Premium grant of £55,890 and Capital grant of £5,283. Funding of £10,922 for Special Educational Needs (SEN) and £39,299 for Early Years Free Entitlement was received from the Local Authority.

Other income which Grasmere received during the year included the Academy Foundation £127,627, Wraparound income £19,029 and Maternity credits £6,061.

Costs for the year totalled £924,526. The majority of this amount, £807,105, was for the Academy education operations, £58,918 was for depreciation and £58,504 for the wraparound service.

The Academy Trust received the Universal Infant Free School Meals grant £8,563 in advance of the new financial year from the EFA. This along with the unspent PE grant £8,030 and a donation from Friends of Grasmere £788 will be carried forward as a committed balance into 2014-15.

The governing body approved the closure of the wraparound provision taking into account the reduction in demand and excess costs. This is reflected in the deficit unrestricted balance of -£38,748 at the end of 2014. The academy will seek approval from the EFA to off set this deficit against the restricted funds. Details of all reserves show below.

As an Educational Charity there is an assurance that all the income of the Academy must be applied for educational purposes. The resources received in year were applied to fulfil the charitable objective. The Academy has had several visits from the EFA, all of which were found to be satisfactory.

Governors' Report continued

Reserves Policy

The Governors review the reserve balances of the Academy annually at the year end. This review encompasses the nature of the income and expenditure streams, any Academy commitments and the nature of the reserves. The Academy's reserves can be divided between:

- Restricted funds balance of -£12,684 (including pension deficit of -£105,000)
- Restricted Fixed Assets balance of £1,664,648
- Unrestricted fund balance was in a deficit of -£38,748

Investment Policy

During the year the Academy held all its funds in an interest bearing current account. Moving forward the Academy is planning to increase funds through successful grant applications and further direct support from the North Tyneside Academy Foundation.

Principal Risks and Uncertainties

Risk Management -

The Governors are responsible for the management of risks to which the Academy Trust is exposed and have undertaken a review of risks associated with its activities. The key controls used by the Academy Trust include:

- Formal agendas for Governors' meetings
- Detailed terms of reference for all committees
- A clear development plan identify key strategic planning objectives and the resources required to achieve them
- Comprehensive budget planning, monitoring and review
- Clear financial delegation levels
- Formal written policies reviewed on a regular basis
- Clear safeguarding and vetting procedures as required bylaw to protect children and young people
- Rigorous review of educational achievement to ensure continuing high standards
- Comprehensive planning and review of admissions processes
- A clear succession planning policy

The Governors have reviewed the major risks, focusing on operational, financial, governance, compliance and reputational risk and have taken steps to mitigate likely risks and to ensure regular monitoring of the primary areas of potential risk.

The Governors are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised, however, that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Governors' Report continued

The Governors identified 6 main risks facing the Academy. This is a reduction of 3 from those identified in October 2013. Further information can be seen in the Academy's risk register.

The Governors considered the impact of the new schools funding reforms and its impact on a small school, competition from other schools, the possible effect of Ofsted, reduction in pupil numbers and the possibility of a deficit budget.

The Governors review the finances termly. The funds held by the Academy are monitored closely in terms of level of spend. Financial controls over the Academy's bank account are managed through a system requiring two signatories to release funding.

Plans for the Future

The school plans to maintain a clear focus on learning and the teaching that promotes it, including continuing to raise achievement of students. Governors are currently reviewing staffing and leadership structures. Specific plans included in the School Development Plan are as follows:-

Urgently improve teaching and learning to be consistently good or better, in order to rapidly accelerate pupils' progress and raise attainment, by:

- Improving teachers' assessment of pupils learning so that they always provide the right level of work for new learning to take place
- Ensuring that pupils are given regular opportunities to make corrections and improve their work
- Regularly monitoring these aspects so that the emerging good practice is captured and shared for the benefit of all pupils

Urgently improve pupils' progress and attainment in mathematics by:

- Conducting rigorous assessments of what pupils in all classes know and can do to discover the gaps in their learning which are preventing good progress
- Devising a programme to rapidly improve pupils knowledge of number from the Nursery class to Year 6
- Developing teacher's mathematical subject knowledge and their knowledge of what pupils are expected to know in each age group, so that they can plan work that steadily develop pupils' skills and understanding

- Monitoring teachers' planning to ensure that it always provides a good level of challenge for all pupils in the class

Urgently improve pupils' progress and attainment in reading by:

- Conducting a rigorous review of the recently introduced phonics programme (which teaches letters and the sounds they make) to discover what is working well and what needs to be improved
- Providing further training for the staff so that there is greater consistency in their expectations of the progress pupils will make

Governors' Report continued

- Providing appropriate resources for staff so that they can accelerate and consolidate pupils' learning more effectively
- Accurately assessing the reading skills of older pupils to discover where there are weaknesses in their reading and spelling
- Providing comprehensive teaching and support to ensure that identified pupils are robustly supported to reach the level expected for their age in reading

Improve leadership and management, and thereby accelerate the academy's progress to good by:

- Providing training and support for recently appointed middle leaders to ensure they are able to carry out their responsibilities effectively
- Establishing regular checks on the effectiveness of teaching and learning so that all leaders play a full part in identifying weaknesses in the school, and develop the skills to produce appropriate plans for improvement
- Providing sufficient time for middle leaders to carry out their role
- Ensuring appropriate support and consequences are consistently implemented for the small minority of pupils whose behaviour occasionally does not match the good behaviour of the large majority

The Academy has clear plans and ambitions for the future in line with its objectives.

Funds Held as Custodian Trustee on Behalf of Others

There are no funds held as Custodian Trustee on behalf of others

Auditor

Insofar as the Governors are aware at the date of making this report:

- there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are 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.

The appointment of Mitchell Charlesworth LLP as Auditors was made following a meeting of the Board of Governors on the 18 September 2012, in accordance with section 489 of the Companies Act 2006.

Approved by order of the members of the Governing body on 11th December 2014 and signed on its behalf by:

Mrs L Goossens MBE
Chair

Governance Statement

Scope of Responsibility

The Governors acknowledge their overall responsibility for ensuring Grasmere Academy has an effective and appropriate system of control, financial or otherwise. The system of Governance is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Head Teacher, as Accounting Officer, for ensuring that the 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 Grasmere Academy and the Secretary of State for Education. The Head Teacher is also responsible for reporting to the Governing Body any material weakness or breakdowns in the internal controls.

Governance

The Governing Body formally met 7 times during the period. Attendance during the period to the Governing body meetings was as follows:

Governor	Meetings Attended	Out of a possible
L Goossens	6	7
K Lilico	5	5
A Welsh	3	7
E Dodds	5	7
P Silitoe	5	7
H Jones	7	7
A Sethi	5	7
T Playle	2	4
A Josephs	5	7
D Baldwin	4	7

D Hodgson	7	7
J McCarty	3	7
E Overton	2	2
L Turner	0	1

The Finance, Staffing & Premises Committee formally met 6 times during the period. Attendance during the period to the Finance, Staffing & Premises Committee was as follows:

Governance Statement continued

Governor Meetings Attended

Governor	Meetings Attended	Out of a possible
L Goossens	4	6
H Jones	4	6
A Welsh	3	6
A Josephs	6	6
K Lilico	5	5
E Overton	1	1
D Hodgson	0	6

The topics discussed at the meetings included:

- Budget monitoring
- Staffing
- Pensions
- Budget approvals and procedures
- Depreciation of items
- Procurement and resources
- Financial values standards
- Financial management and governance evaluation
- Self Evaluation Form (SEF) feedback
- Agreements to Service Level Agreements
- Out of School Club monitoring
- Premises updates
- Job evaluation
- Policy approvals – finance, pay policy, restructure and redundancy
- Responsible Officers
- Pupil Premium
- Risk register
- School Development Plan costings

- Cost Centre reviews
- Insurances
- Leave of absence approvals
- Benchmarking
- Accounts return – land and building valuations
- Finance projections
- Asset register
- Funding requests
- Premises Plan
- Teachers pay and conditions

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks of achievement of the Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact on the Academy should they become realised and to manage the risks efficiency, effectively and economically. The system of internal control has been in place in Grasmere Academy for the period 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the Academy 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 period 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is reviewed by the Governing Body. The risk register is referred to and updated termly.

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 review and agreed by the Governing Body.

- Regular reviews by the Finance, Staffing and Premises 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; and,
- Identification and management of risks.

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Andy Carr as Responsible Officer for 2013/2014. The Responsible Officer's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a termly basis, the Responsible

Governance Statement continued

Officer reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities. This is to be reviewed going forward.
The Responsible Officer function has been fully delivered in line with the Education Funding Agency's requirements. No material control issues arising as a result of the Responsible Officer's work have been identified.

Review of Effectiveness

The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. During the period the review has been informed by:

- The work of the Responsible Officer;
- The work of the external auditor;
- The work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the member of the governing body on 11th December 2014 and signed on its behalf by:

Mrs L Goossens MBE
Chair

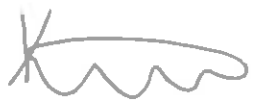
Mrs K Lilico
Accounting Officer

Statement on Regularity, Propriety and Compliance

As Accounting Officer of Grasmere Academy I have considered my responsibilities to notify the Academy's Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with the Education Funding Agency terms and conditions of funding, under the funding agreement in place between the Academy 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 Governing Body are able to identify any material irregularity 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 no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of the statement, these will be notified to the board of governors and EFA.



Mrs K Lilico
Accounting Officer

11th December 2014

Statement of Governors' Responsibilities

The Governors (who act as Trustees for Charitable activities and are also Directors for the purposes of Company Law) are responsible for preparing the Governors' Report and the Statement of Financial Activities in accordance with the Annual Accounting Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards and applicable laws and regulations.

Company law requires the Governors to prepare financial statements for each financial year which provide a true and fair view of the state of affairs of the Charity at the end of the year along with its incoming and outgoing resources, including its income and expenditure, for that period. In preparing the financial statements, the Governors are required to:

- Select suitable accounting policies and 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
- Prepare the financial statements on a 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 disclose with reasonable accuracy 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 Charitable Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the Education Funding Agency and Department of 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.

Approved by order of the members of the Governors Board on 11th December 2014 and signed on its behalf by:

Mrs L Goossens MBE
Chair

Independent Auditor's Report on the Financial Statements to the Governing Body of Grasmere Academy

We have audited the financial statements of Grasmere Academy for the year ended 31 August 2014 which comprise Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 19, the governors (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

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

Independent Auditor's Report on the Financial Statements to the Governing Body of Grasmere Academy (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Paul Booth FCA
Senior Statutory Auditor
For and on behalf of
MITCHELL CHARLESWORTH LLP
Chartered Accountants
Statutory Auditor

Centurion House
129 Deansgate
Manchester
M3 3WR

Dated ...11/12/14.....

Independent Reporting Accountant's Assurance Report on Regularity to Grasmere Academy and the Education Funding Agency

In accordance with the terms of our engagement letter dated 19 June 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Grasmere Academy during the year ended 31 August 2014 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 Grasmere Academy and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Grasmere Academy and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Grasmere Academy and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Grasmere Academy's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Grasmere Academy's funding agreement with the Secretary of State for Education dated 6 September 2011 and the Academies Financial Handbook, extant from 1 September 2013 (updated October 2013), 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 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Independent Reporting Accountant's Assurance Report on Regularity to Grasmere Academy and the Education Funding Agency (continued)

The work undertaken to draw our conclusions includes:

- We have confirmed that any new activities conform with the Academy Trust's framework of activities – no new activities has been confirmed with minutes, management accounts and key management personnel.
- We have reviewed and corroborated the Academy Trust's most recent Financial Management and Governance Evaluation; Evaluated the general control environment of the academy trust extending procedures required for financial statements to include regularity and sampled specific control activities for regularity of "key" activities.
- Expenditure testing has been extended to ensure the activity is permissible within the academy trust's framework of authorities and that on a sample basis we have ensured items have been appropriately authorised.
- For significant expenditure we have confirmed that the internal delegations have been approved by the governing body and confirm to the limits set by the Department for Education (DfE)
- We have reviewed payroll for any extra-contractual payments (such as severance) and confirmed, if any such payments were made, departmental authority was obtained.
- The trust does not have any bank borrowings so no approval was required from the DfE in this respect.
- There has been no disposal of fixed assets in the year so no approval was required from the DfE in this respect.
- We have reviewed cash payments for any unusual transactions and confirmed there are no credit cards in use by the academy.
- We have extended our sample expenditure testing to ensure we have reviewed against any specific terms of any grant funding within the funding agreements and reviewed all grants received in general for any specific terms associated with the monies received.
- We have reviewed a list of suppliers and in conjunction with the governors, head and finance teams declaration of interests and considered whether any supplies are from related parties.
- We have reviewed the academy's income sources and considered whether activities are permitted within the academy trust's charitable objects. There is no letting income received so no further review for favourable rates was considered necessary.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Paul Booth FCA
Senior Statutory Auditor
For and on behalf of
MITCHELL CHARLESWORTH LLP
Chartered Accountants
Statutory Auditor

Centurion House
129 Deansgate
Manchester
M3 3WR

Dated 11/12/14

Statement of Financial Activities for the Year Ended 31 August 2014

(Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Notes	Unrestricted Fund	Restricted General Fund	Restricted Fixed Asset Fund	Total 2014	Total 2013
		£000	£000	£000	£000	£000
Incoming resources						(Restated)
Incoming resources from generated funds:						
Voluntary income	2	-				**40**
Transfer on conversion						**1,691**
Activities for generating funds	3	19	18	-	**37**	**59**
Incoming resources from Charitable activities						
Funding for Academy Trust's educational operations	4	-	877	5	**882**	**868**
Total incoming resources		19	895	5	**919**	**2,658**
Resources expended						
Cost of generated funds:						
Fundraising/trading	5	58	-	-	**58**	51
Charitable activities						
Academy's educational operations	6	-	793	59	**852**	**960**
Governance costs	7	-	15	-	**15**	**13**
Total resources expended	5	58	808	59	**925**	**1,024**
Net incoming/(outgoing) resources before transfers		(39)	87	(54)	**(6)**	**1,634**
Gross transfers between funds	14	-	4	(4)	-	-
Net income/(expenditure) for the year		(39)	91	(58)	(6)	**1,634**
Other recognised gains /losses						
Actuarial (losses)/gains on defined benefit pension schemes	14,22	-	6	-	**6**	**(21)**
Net Movement in Funds		(39)	97	(58)	**0**	**1,613**
Reconciliation of Funds						
Total funds brought forward		1	(110)	1,722	**1613**	-
Total Funds carried forward at 31 August 2014		(38)	(13)	1,664	**1,613**	**1,613**

All of the Academy's activities derive from acquisitions in the current financial period.
The Statement of Financial Activities includes all gains and losses in the period.
The notes on pages 29 to 50 form part of these Financial Statements.

Balance Sheet as at 31 August 2014

Company number 08132137

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed Assets					
Tangible Assets	11		**1,664**		**1,722**
Current **Assets**					
Debtors – amounts due in one year	12	13		31	
Cash at the bank and in hand	19	76		238	
Total current assets		**89**		**269**	
Liabilities					
Creditors: Amounts falling due within one year	13	(35)		(267)	
Net current assets			**54**		**2**
Total assets less current liabilities			**1,718**		**1,724**
Pension scheme liability	22		(105)		(111)
Net Assets including pension liability			**1,613**		**1,613**
Funds					
Restricted income funds					
Fixed asset fund	14,15	1,664		1,722	
General fund	14,15	92		1	
Pension Reserve	14,15	(105)		(111)	
Total Restricted funds			**1,613**		**1,612**
Unrestricted income funds					
General fund		(38)		1	
Total Unrestricted funds			**0**		**1**
Total Funds			**1,613**		**1,613**

Balance Sheet as at 31 August 2014 Continued

The financial statements were approved by the Governors and authorised for issue 11th December 2014 and are signed on their behalf by:

Mrs L Goossens MBE
Chair

Cash Flow Statement

For the Year Ended 31 August 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	17	(166)	229
Capital Expenditure	18	4	(33)
Increase / (decrease) in cash in the year	19	**(162)**	**196**
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 Sept 2013		238	42
Net funds at 31 August 2014	19	**76**	**238**

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

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Notes to the Financial Statements for the Year Ended 31 August 2014

1. Statement of Accounting Policies

Basis of Preparation
The financial statements have been prepared under historic cost convention in accordance with applicable United Kingdom Standards, the Charity Commission "Statement of Recommended Practice: Accounting and Reporting by Charities" (SORP 2005), the Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except for where noted, is set out below.

Going Concern

The Governors assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Governors will make this assessment in respect of a period of one year from the date of approval of the financial statements. The Governors have a reasonable expectation that the company will have adequate resources to continue to operate in the foreseeable future and continue to believe the going concern basis of accounting is appropriate in preparing these financial statements.

Incoming Resources
All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amounts can be measured sufficiently reliably. Resources are analysed according to the activity that produced the resource.

Grants received
Grants are included in the Statement of Financial Activities on a received basis. Where the income is received for a specific purpose it is recognised as a restricted fund in the Statement of Financial Activities and if not expended during the period is shown in the relevant fund on the Balance Sheet. Where income is received in advance of entitlement the recognition is deferred and included in the creditors as deferred income. Where a condition exists which prevents recognition of the income, a contingent asset is disclosed where it is probable that the condition will be met in the future.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the assets on which they are expended. Unspent amounts of capital grant are reflected in the balances in the restricted fixed assets fund.

Notes to the Financial Statements for the year ending 31 August 2014 continued

1. Statement of Accounting Policies (continued)

Sponsorship Income
Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it 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 Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's policies.

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 be 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.

Notes to the Financial Statements for the year ending 31 August 2014 continued

1. Statement of Accounting Policies (continued)

Charitable Activities
Expenditure incurred in undertaking work to meet the charitable aims and objectives of the Academy are recognised under charitable activities.

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £500 or more are capitalised as tangible assets and are carried at cost, net of depreciation and any provision for impairment.

Expenditure on the acquisition, creation or enhancement of Tangible Fixed Assets is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential will flow to the Academy and the cost can be reliably measured.

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bring the assets to their present location and condition necessary for it to be capable of operating in a manner intended by the board

Where an asset has been donated it is included in the Balance Sheet at current value at the date of the gift and included in the Statement of Financial Activities as an incoming resource.

Where Tangible Fixed Assets have been acquired with the aid of a specific grant they are included in the Balance Sheet at cost and depreciated over the expected useful economic life. The related grant is credited to the relevant fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation is charged to the Statement of Financial Activities fund over the expected useful life of the related asset on a basis consistent with the Academy's depreciation policy.

Notes to the Financial Statements for the year ending 31 August 2014 continued

1. Statement of Accounting Policies (continued)

Depreciation
Depreciation is provided for on all tangible fixed assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight line basis over its expected useful economic life as follows:

Buildings	3.3% per Year
Fixtures, fittings and equipment	33.3% per Year
ICT Equipment	33.3% per year

Impairment
A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment losses are recognised in the Statement of Financial Activities as additional depreciation.

Leased assets
Operating lease rentals are charged in equal amounts over the lease term.

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.

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 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 22, 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

Notes to the Financial Statements for the year ending 31 August 2014 continued

1. Statement of Accounting Policies (continued)

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 every three years and are updated at each balance sheet date. The amounts charged to the 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 costs 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 Funds
Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objectives of the Academy Trust at the discretion of the governors.

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

Restricted General Funds
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 ending 31 August 2014 continued

2. Voluntary Income

	Unrestricted Fund	Restricted Fund	Total 2014	Total 2013
	£000	£000	£000	(Restated) £000
Flood Income	-	-	-	40
	-	-	-	40

3. Activities for Generating Funds

	Unrestricted Fund	Restricted Fund	Total 2014	Total 2013
	£000	£000	£000	(Restated) £000
Wraparound income	19	-	19	46
Supply Insurance		12	12	8
Maternity Credits		6	6	5
	19	18	37	59

4. Funding for Academy's Educational Operations

	Unrestricted Fund	Restricted Fund	Total 2014	Total 2013
	£000	£000	£000	£000
DfE/ EFA revenue grants				(Restated)
General Annual Grant	-	603	603	647
Start up Grants	-	-	-	47
Capital Grants	-	5	5	5
Other DfE/EFA Grants	-	25	25	-
Pupil Premium	-	56	56	29
	-	689	689	728
Other Government Grants				
NTAF	-	128	128	32
Local Authority Grants	-	39	39	47
Special Educational projects	-	11	11	43
	-	178	178	122
Other Income				
Other Income	-	15	15	18
	-	15	15	18
	-	882	882	868

Notes to the Financial Statements for the year ending 31 August 2014 continued

5. Resources Expended

	Staff Costs	Non Pay Expenditure		Total	Total
		Premises	Other	2014	2013 (Restated)
	£000	£000	£000	£000	£000
Costs of generating voluntary income		-			
Costs of activities for generating funds	57		1	58	51
Academy's educational operations					
Direct Costs	554	-	65	619	652
Allocated support costs	76	96	61	233	308
	687	96	127	910	1,011
Governance costs including allocated support costs	-	-	15	15	13
	687	96	142	925	1,024

Incoming/outgoing resources for the year include:

	2014 £000	2013 £000
Operating Leases	6	3
Plant and machinery		
Other leases		
Fees payable to auditor	5	5

Notes to the Financial Statements for the year ending 31 August 2014 continued

6. Charitable Activity – Academy's Educational Operations

	Total 2014 £000	Total 2013 £000
Direct costs – education operations		
Teaching and educational support staff costs	554	613
Depreciation	9	5
Staff related Insurance	8	-
Technology costs	2	9
Educational Supplies	41	51
Staff Development	4	7
Educational Consultancy	-	12
Other Direct Costs	1	6
	619	**703**
Support Costs – education operations		
Support Staff costs	76	75
Supply Teacher Insurance	4	-
Depreciation	50	50
Maintenance of premises and equipment	15	65
Cleaning	4	2
Operating Lease	6	3
Rents and Rates	2	1
Water	7	5
Energy Costs	18	20
Insurance	-	7
Security and Transport	-	4
Catering	27	29
Other support costs	24	47
	233	**308**
Total direct and support costs	**852**	**1,011**

7. Governance Costs

	Total 2014	Total 2013
Legal & Professional Fees		
Auditors fees	-	5
Audit of Financial Statements	5	-
Other audit costs	1	-
Governors' Advisory Fees	4	4
Actuary Fees	1	2
Accountancy	4	2
	15	**13**

Notes to the Financial Statements for the year ending 31 August 2014 continued

8. Staff Costs

a. Staff costs

Staff costs during the period were:

	2014 £000	2013 £000
Wages and Salaries	514	488
Social Security costs	26	30
Pension costs	74	75
	614	593
Supply teacher costs	11	48
Supply Other	2	47
Staff restructuring costs	60	
	687	688

b. Staff severance payments

Included in staff restructuring costs are non-statutory / non contractual severance payments totalling £22,000 (2013 nil). One of the non statutory /non contractual payments exceeded £5000 individually.

c. Staff numbers

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

	2014 Number	2013 Number
Charitable Activities		
Teachers	8	9
Administration and support	10	11
Management	1	1
	19	**21**

d. Higher paid staff

There were no employees whose emoluments exceeded £60,000.

Notes to the Financial Statements for the year ending 31 August 2014 continued

9. Related Party Transactions - Governors' remuneration and expenses

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

Headteacher:	£ 45,000 - £50,000
Staff Governor:	£30,000 - £35,000 (2013: £30,000 -£35,000)
Parent Governor:	£5,000 - £10,000

During the period there were no travel and subsistence expenses reimbursed to Governors.

Other related party transactions involving Governors are set out in note 23.

No Governor received any remuneration during the period. No Governor had a personal interest in any contract or transaction entered into by the Academy during the period.

10. 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 carrying out Academy business. The Governors and Officers Liability insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2014 was £39.

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

Notes to the Financial Statements for the year ending 31 August 2014 continued

11. Tangible Fixed Assets

	Land and Buildings £000	Computer Equipment £000	Total £000
Cost			
At 1st September 2013	1,752	25	1,777
Additions		1	1
Disposals			
At 31st August 2014	1,752	26	1,778
Depreciation			
At 1st September 2013	50	5	55
Charge for Year	50	9	59
At 31st August 2014	100	14	114
Net Book Value			
As at 31 August 2014	**1,652**	**12**	**1,664**
As at 31 August 2013	1,702	20	1,722

The trust's transactions relating to land and buildings included:

- The taking up of a leasehold on Grasmere Academy for £0 over a term of 125 years

12. Debtors

	2014 £000	2013 £000
Trade Debtors	8	16
VAT recoverable	5	15
	13	31

13. Creditors: Amounts falling due within one year

Short term creditors comprise the following amounts payable:

	2014 £000	2013 £000

Trade creditors	35	267
	35	**267**

Notes to the Financial Statements for the year ending 31 August 2014 continued

14. Funds

	Balance at 1 September 2013 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses & Transfers £000	Balance at 31 August 2014 £000
Restricted Funds					
General Annual Grant	1	603	(533)	4	75
Start up Grant	-	-	-	-	-
Other DfE / EFA Grants	-	81	(64)	-	17
Other Government Grants		178	(178)	-	0
Other Activities	-	33	(33)	-	-
Pension Reserve	(111)	-	-	6	(105)
	(110)	895	(808)	10	(13)
Restricted Fixed Asset Fund					
On incorporation	1,722	-	(59)	-	1,663
DfE / EFA Capital grants		5		(4)	1
	1,722	5	(59)	(4)	1,664
Total Restricted Funds	1,612	900	(867)	6	1,651
Unrestricted Funds					
Unrestricted Funds	1	19	(58)	-	(38)
Total Unrestricted Funds	1	19	(58)	-	(38)
Total Funds	**1,613**	**919**	**(925)**	**6**	**1,613**

Under the funding agreement with the Secretary of State, Grasmere was not subject to a limit on the amount of General Annual Grant that it could carry forward at 31 August 2014

Notes to the Financial Statements for the year ending 31 August 2014 continued

General Annual Grant
Funds received from the EFA under the General Annual Grant arrangement for the recurrent expenditure of the Academy as defined in the Funding Agreement.

Start up Grant
An EFA grant to support the opening of the Academy.

Pupil Premium Grant
Additional funding received from EFA to target students from low income families.

Other DfE /EFA Grants including funding from Local Authority
This includes the following funds:-
(i) Early Years (EY) funding – allocated from Local Authority for EY free entitlement
(ii) SEN funding – allocations from Local Authority for SEN
(iii) Academy foundation – funding
(iv) Carried forward on conversion

Restricted Other - Pension scheme reserve
The negative reserve in respect of the LPGS scheme.

Notes to the Financial Statements for the year ending 31 August 2014 continued

15. Analysis of net assets between funds

Fund balances at 31 August 2014 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	1,664	1,664
Current Assets	(38)	127	-	89
Current liabilities	-	(35)	-	(35)
Pension scheme	-	(105)	-	(105)
Total net assets	**(38)**	**(13)**	**1,664**	**1,613**

16. Financial Commitments

Operating Leases

At 31 August 2014 the Academy had annual commitments under non-cancellable operating leases as follows:

	2014 £000	2013 £000
Other		
Expiring within one year	3	-
Expiring within two and five years inclusive	2	6
Expiring in over five years	-	-
	5	6

Notes to the Financial Statements for the year ending 31 August 2014 continued

17. Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2014 £000	2013 £000
Net income	(6)	1,631
Net Assets transferred on conversion	-	(1,691)
Depreciation	59	55
Capital Grants from DfE and other capital income	(5)	(5)
FRS 17 pension cost less contributions payable (Note 24)	-	2
FRS 17 pension finance income (note 24)	-	1
(Increase)/decrease in stocks	-	-
(Increase)/decrease in debtors	18	(31)
Increase/(decrease) in creditors	(232)	267
Net cash inflow from operating activities	**(166)**	**229**

18. Capital Expenditure and Financial Investment

	2014 £000	2013 £000
Purchase of tangible fixed assets	(1)	(38)
Capital grants from DfE/EFA	5	5
Net cash flow from capital expenditure and financial investment	**4**	**(33)**

19. Analysis of changes in Net Fund

	At 1 September 2013 £000	Cash flows £000	At 31 August 2014 £000
Cash in hand and at bank	238	(162)	76
Total	**238**	**(162)**	**76**

Notes to the Financial Statements for the year ending 31 August 2014 continued

20. Guarantees, Letters of Comfort and indemnities

The trust has not provided guarantees, letters of comfort or indemnities during the year ended 31 August 2014.

21. 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.

Notes to the Financial Statements for the year ending 31 August 2014 continued

22. Pension and similar obligations

The Academy's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by South Tyneside Council. Both are defined-benefits 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 2013.

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

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

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost 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 the real rate of return.

Valuation of Teachers' Pension Scheme

The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);

Notes to the Financial Statements for the year ending 31 August 2014 continued

- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

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

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 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 with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; 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. 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 also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of 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 have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trades unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Notes to the Financial Statements for the year ending 31 August 2014 continued

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 Local Government Pension Scheme is a funded defined-benefits scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £56,917, of which employer's contributions totalled £27,643 and employee contributions totalled £8,711. In addition £8,474 was paid for the pension deficit and £12,089 for strain of the fund. The agreed contribution rates for future years are 17.2% for employers and dependant on salary the range is from 5.5% to 12.5% for employees.

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

As described in note 1 the Local Government Pension scheme obligation relates to the employees of the Academy Trust, who were employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy at the balance sheet date.

Principal Actuarial Assumptions	**At 31 August 2014**	**At 31 August 2013**
Rate of increase in salaries	**3.6%**	4.7%
Rate of increase for pensions in payment / inflation	**2.1%**	2.8%
Discount rate for scheme liabilities	**3.7%**	4.5%
Inflation assumption (CPI)	**2.1%**	2.8%
Commutation of pensions to lump sum	**75.0%**	50.0%

Notes to the Financial Statements for the year ending 31 August 2014 continued

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

	At 31 August 2014	At 31 August 2013
Retiring today		
Males	23.0	21.7
Females	24.6	23.9
Retiring in 20 years		
Males	25.0	23.5
Females	26.9	25.8

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

	Expected return at 31 August 2014	Fair value at 31 August 2014 £000	Expected return at 31 August 2013	Fair value at 31 August 2013 £000
Equities	7.5%	189	7.9%	139
Bonds	6.2%	42	7.5%	32
Property	6.8%	26	7.4%	18
Other	8.6%	24	8.8%	19
Total market value of assets		281		208
Present value of scheme liabilities - Funded		(386)		(319)
Surplus/(deficit) in the scheme		(105)		(111)

Grasmere Academy employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out

within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 August 2014.

The actual return on scheme assets was £19,000 (2013 £20,000).

Notes to the Financial Statements for the year ending 31 August 2014 continued

Amounts recognised in the Statement of Financial Activities

	2014 £000	2013 £000
Current service cost (net of employee contributions)	(42)	(34)
Past service cost	(12)	-
Total operating charge	(54)	34

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	(16)	(10)
Interest on pension liabilities	16	11
Pension finance income / (costs)	0	1

The actuarial gains and losses for the current year are recognised in the Statement of Financial Activities. The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS 17 is a £9,000 gain (2013: £18,000 loss).

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

	2014 £000	2013 £000
At 1 September	319	237
Current service cost	42	34
Interest Cost	16	11
Employee contributions	10	9
Actuarial (gain) / loss	(6)	28
Benefits paid	(7)	-
Past Service cost	12	-
Curtailments and settlements	-	-

At 31 August	**386**	319

Notes to the Financial Statements for the year ending 31 August 2014 continued

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

	2014 £000	2013 £000
At 1 September	**208**	147
Expected return on assets	**16**	10
Actuarial gain / (loss)	**3**	10
Employer contributions	**51**	32
Employee contributions	**10**	9
Benefits paid	(7)	-
At 31 August	**281**	208

The estimated value of employer contributions for the period ended 31 August 2015 is £45,000.

The two year history of experience adjustments is as follows:

	2014 £000	2013 £000
Present value of defined benefits obligations	**386**	319
Fair value of share of scheme assets	**281**	208
Deficit in the Scheme	**(105)**	(111)
Experience adjustments on share of scheme assets Amounts £'000	**3**	10
Experience adjustments on share of scheme liabilities Amounts £'000	**(7)**	0

23. Related Party Transactions

Owing to the nature of the Academy's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions may 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 transactions took place during the period.

North Tyneside Academy Foundation provided sponsorship income of £127,627 this is included in Statement of Financial Activities.