



North
Kesteven
Academy
Think Excellence



North Kesteven Academy

(A Company Limited by Guarantee)

Annual Report & Financial Statements

Year ended 31 August 2018

Registered Number 07657605 (England and Wales)



North Kesteven Academy

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North Kesteven Academy

Reference and Administrative Details

Year ended 31 August 2018

Members

J Sloan
R Barrett
D Salisbury

Trustees

J Sloan* - Chair
R Barrett*
J Burnett
N Wilkinson-McKie – Head teacher (until 31/8/2018)
J Tunnicliffe – Head teacher (from 1/9/2018)
N Cooper
M Gallimore (staff trustee)
M Taylor
R Shore (until 4/10/2017)
D Salisbury *
A Greenwood *
K Vause (until 31/8/2018)
S van Zyl
A Lloyd (from 1/9/2018)

(* also member of the Finance and Audit Committee)

Company Secretary

R Goldsworthy

Senior Leadership Team

Head teacher
Deputy Head teacher
Head of Finance
Head of Human Resources
Assistant Head teacher
Assistant Head teacher
Assistant Head teacher
Associate SLT
Associate SLT
Associate SLT
Associate SLT

N Wilkinson-McKie (until 31/8/2018)
J Tunnicliffe (acting Head Teacher from 17/7/2018)
P Allison
R Goldsworthy
K Jones (until 31/8/2018)
A Sandbrook
B Smith
K Warburton
F McGrath
L Athersych (from 1/9/2017)
R Yarsley (from 1/10/2017)

Principal and Registered Office

Moor Lane
North Hykeham
Lincoln
LN6 9AG

Company Registration Number

07659605 (England and Wales)

Independent Auditor

Forrester Boyd, Chartered Accountants
139 Eastgate
Louth
Lincolnshire
LN11 9QQ

North Kesteven Academy
Reference and Administrative Details
Year ended 31 August 2018

Bankers

Lloyds Bank plc
Lloyds Commercial
1-3 Church Street
Mansfield
Nottinghamshire
NG18 1AF

Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London, SE1 9BB

North Kesteven Academy

Trustees' Report

For the year ended 31 August 2018

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates an academy for pupils aged 11 to 18 serving a catchment area in the district of North Kesteven, immediately to the south of Lincoln but also extending to several outlying villages to the south of the city. It has a pupil capacity of 1,444 and the number on roll was 1,058 on the academy census in October 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust is a company limited by guarantee (registration number 07657605) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees of North Kesteven Academy are also the directors of the charitable company for the purposes of company law. The charitable company is known as North Kesteven Academy.

Details of the trustees who served during the period are included in the Reference and Administrative Details on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one 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.

Trustees' indemnities

The trustees of North Kesteven Academy are covered under the Professional Indemnity section of the Risk Protection Arrangement (RPA) administered by the Education and Skills Funding Agency for academy trusts to the value of £500,000. This cover applies to all trustees of the academy acting in accordance with the role and professional responsibilities of the academy.

Method of recruitment and appointment or election of trustees

Potential new trustees are identified by the strategic committee, ensuring that the skills and experience of new trustees are complementary to those of existing board members. North Kesteven Academy has the power to appoint those trustees who are not subject to election.

Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new trustees will depend on their existing experience. Where necessary and appropriate the induction process will provide training on charity, educational, legal and financial matters. All new trustees are welcome to visit the academy and to meet with staff and students. All trustees are provided with access to policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As there are normally few new trustees a year, induction tends to be done informally and is tailored specifically to the individual trustees.

Organisational structure

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

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

The directors are responsible for the strategic direction of the academy. This includes ensuring accountability for roles and exploring efficiency and opportunity strategy across the academy to drive standards. This includes setting general policy, adopting an annual plan and budget, monitoring the academy's use of budgets and making major decisions about the direction of the Trust, capital expenditure and leadership staff appointments.

The senior leadership team control the school at an executive level implementing the policies laid down by the directors and reporting back to them. As a group the senior leadership team are responsible for the authorisation of spending within agreed budgets and the appointment of staff, although appointments to the senior leadership team always involve a representative of the directors.

Arrangements for setting pay and remuneration of key management personnel

Any new Key Management Personnel (Senior Leadership Team) post will only be advertised with the prior approval of the board of trustees, who will set the appropriate pay range with reference to the Standard Teachers' Pay and Conditions Document (STPCD). There is no right of appeal against the salary level to which a person is appointed.

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

- Performance objectives.
- Specific job descriptions.
- The Teachers' Standards.

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

No progression will be awarded to any Academy Leader if during the appraisal period or before the pay review the academy has been assessed by OFSTED as inadequate or requiring improvement.

Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

Relevant union officials

Number of employees who were relevant union officials during the relevant period:

3

Full-time equivalent employee number:

3

Percentage of time spent of facility time

Percentage of time:

0%

1%-50%

51%-99%

100%

Number of employees:

0

3

0

0

North Kesteven Academy
Trustees' Report (continued)
For the year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Percentage of pay expenditure spent on facility time

Total cost of facility time	£713
Total pay expenditure	£4,955,882
Facility time percentage	0.01%

Paid trade union activities

Total trade union facility time (hours)	0
Total paid hours of relevant union officials	3,795
Percentage of total paid time spent on paid trade union activities	0.00%

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

Calculation details are provided within Statutory Instrument 2017 No.328, The Trade Union Facility Time Publication Requirements Regulation 2017.

Related Parties and other Connected Charities and Organisations

North Kesteven Academy is a single academy trust. It works closely with neighbouring schools and academies, particularly with Sir Robert Pattinson Academy, with whom it shares a sixth form, known as North Hykeham Joint Sixth Form (NHJSF). Policy of the joint sixth form is driven by a joint committee comprising trustees supported by Key Management Personnel from both academies; this committee duly reports to the trustees of its two parent academy trusts.

OBJECTIVES AND ACTIVITIES

Principal activities

North Kesteven Academy implements the vision to improve the life opportunities of every learner within the academy. This is done by providing a broad, balanced curriculum, a climate for learning commensurate with the ethos and philosophy of the academy and a culture of mutual respect and tolerance which will prepare every North Kesteven student for life in the twenty first century.

Objects and aims

North Kesteven Academy will develop students':

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

By:

- Being positive and optimistic, having high expectations and looking to praise and acknowledge success;
- Offering appropriate information, advice and guidance throughout their time at school and in preparation for their later working life;

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

OBJECTIVES AND ACTIVITIES (CONTINUED)

- Providing an academic, vocational and creative curriculum giving challenge and opportunity to develop the strengths, talents and skills of all students
- Maintaining a well-disciplined and ordered community which everyone is proud of and in which all feel safe;
- Providing opportunities for students to develop their extra-curricular interests;
- A relentless focus on achievement and academic success.

Because we believe in:

- Harmonious and productive relationships
- A broad, balanced curriculum which maximises the chance to produce rounded individuals
- An active partnership with parents to provide mutual support for their children's progress.
- Good manners, good humour and self-discipline.
- Equal opportunities and access to the curriculum.
- A high quality learning environment
- Providing the best information, advice and guidance to students.

Objectives, strategies and activities

Curriculum

- To ensure that the academy's curriculum is outstanding and supports both the delivery of excellence for and raises achievement of all students
- To constantly review the curriculum
- To develop a strong English Baccalaureate (Ebacc) curriculum for the needs of the cohort
- To ensure that all students have equal access to high quality curriculum and learning
- To ensure that all students in year 9 have choices in their curriculum to meet their interests and career needs.

Examinations and Assessment

- To develop and deliver an exam strategy for the whole academy (Year 7 – Year 13), that allows students to demonstrate regularly highly developed exam success skills, routines and habits.
- To ensure that targets are set correctly for all students in all years on a regular basis, ensuring that they are both sensitive and aspirational.
- A range of high-quality incisive data analysis tools will be used to constantly assess progress for all students.
- To utilise a clear intervention strategy to ensure the delivery of effective, timely and successful intervention.
- To ensure that assessment is dynamic and that the information gathered is utilised to inform future teaching and raise achievement.
- For the academy to develop innovative assessment recording and reporting systems.

Behaviour

- To ensure that high standards of behaviour are exhibited across the academy at all times, and that expectations are fully understood by all stakeholders.
- To ensure that all systems and protocols are transparent and fair, and are consistently applied.
- To ensure that all systems and protocols are effective, deliver excellence in education and community wellbeing.
- To ensure that areas of concern are addressed in a swift and supportive manner and to correct inconsistent practice.
- To regularly review and enhance systems and protocols to ensure effectiveness.

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

OBJECTIVES AND ACTIVITIES (CONTINUED)

Teaching and Learning

- To implement the academy Teaching and Learning strategy, delivering excellence.
- To ensure that all teaching and learning is of the very highest order and raises achievement as a direct result.
- To deliver an enthusiasm and whole school culture for innovative practice and effective routine coaching opportunities for ongoing cross fertilisation of pedagogy.
- To deliver a whole-school raising achievement and student achievement engagement strategy, utilising new technology, and demonstrating a direct impact on outcomes (e.g. impact on staff practice, impact on student experience). Examples might be the use of augmented reality and virtual reality for learning.
- To ensure that all staff are clear and effective in differentiation for all students of all abilities and to ensure that high expectations for all students are vigorously maintained.
- To devise a programme for very high ability students to experience teaching and learning at the very highest ability range.
- To embed an open-door culture of Research and Development, where risk taking is celebrated and learning shared for the benefit of all.
- To ensure that the academy has a clear and robust self-evaluation structure that enables and empowers managers to monitor areas of responsibility in order that all staff have clarity and support in carrying out their roles.
- To deliver a Continuing Professional Development strategy that meets the development towards innovative education techniques, whilst meeting individuals' needs fully.
- To ensure out of lesson learning and activities adds significant value to student experience and progress.

Safeguarding Systems

- To ensure that the academy has outstanding safeguarding systems and practices.
- To constantly review and improve the academy site and safeguarding practice.

Pastoral and Academic Support

- To deliver clear support via the College system; to ensure that the ethos and standards of the College System are clear.
- To drive excellent practice through the College System.
- To use the College System to facilitate incisive and forensic knowledge and actions to enable staff to deliver excellence in achievement.
- To enable all students to achieve at least their target grade, ensuring that all students in the college have effective individual action plans that secure excellent progress and achievement outcomes.
- To ensure that quality support is in place to maximise attendance by all students.

Community

- To deliver a community strategy that delivers excellence for the academy and value to the wider community through dynamic and innovative activities.
- To ensure that the 'student voice' drives direction of events such as culture days, and that these events are inclusive and provide benefit to all.
- To further develop partnerships with groups such as the Medical Schools Council, local Universities and the local football club, to forge other new relationships where there is clear benefit to the academy and its students.
- To deliver a clear and student-centric policy for academic excellence; to ensure that such schemes are meaningful and drive student achievement, confidence and success.

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

OBJECTIVES AND ACTIVITIES (CONTINUED)

- To create via the College System volunteering opportunities and leadership through a variety of 'captain' and similar roles.
- To ensure that the student voice is loud, up to date and is centric in the formation of all future strategy.

Environment

- To ensure the academy's site is at a safe and a high standard, and is continuously maintained and improved.
- To offer a world-class teaching and learning environment.
- To explore a range of alternative and innovative learning environments.

Public benefit

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

STRATEGIC REPORT

Achievements and Performance

Examinations

Key Stage 4

Summer 2018 saw the completion of the roll out of the new style GCSEs, and students met or exceeded national outcomes in a number of subjects (Dance, PE, Spanish, Drama, Music and Graphic products). Overall 53% of students achieved at least a grade 4 in both English and Maths.

Improvements in attainment were seen across subjects such as Art, Dance, Drama, History, Music and Business.

Key Stage 5

North Kesteven Academy continues to work with neighbour and partner Sir Robert Pattinson Academy to deliver a wide sixth form curriculum as the North Hykeham Joint Sixth Form.

In 2018, one subject performed significantly above national average (A2 Art). Seven subjects performed above national average, but not significantly so (A2 Media, BTEC Sub-Dip. Art, BTEC Sub-Dip Music Performing, A2 Psychology, A2 Maths, A2 Physics and A2 Further Maths). Four subjects were in line with national average (A2 Business, A2 Sociology, A2 Health and Social Care and A2 English Language and Literature). Six subjects were below national average, but not significantly so (A2 Biology, A2 RE, CTEC Sport, A2 Photography, A2 Drama and Theatre and BTEC Ext. Cert. Performing Arts).

Since being taught solely at the NK Academy site, both Psychology and Sociology have improved significantly and are now above/in line with the national average respectively.

Future destinations for the highest achieving students leaving North Kesteven Academy after their A-Levels included Nottingham Trent University (with three A grades to study Veterinary Science), York University (A* and two A grades to study Chemistry), Bishop Grosseteste University (A* and two A

North Kesteven Academy
Trustees' Report (continued)
For the year ended 31 August 2018

STRATEGIC REPORT (CONTINUED)

grades to study Primary Education) and Leeds University (Two A grades and a B to study Mathematics).

Other Successes

The academy continues to enjoy a wide range of successes as its students engage in a huge number of events, especially in areas such as sport and the arts.

One of the academy's year 13 students combined taking her A-levels with representing England for Athletics at Under-20 level. She is currently the 200m national champion and part of the 4-100m relay team, and in November 2018 was named as Lincolnshire's Sportswoman of the Year! In autumn 2018 she moves to Loughborough University to study Applied Sports Science.

The academy continues to work with the Medical Schools Council and held conferences in October 2017 and again in October 2018 for local year 12 students interested in a career in medicine. These events (unique locally) were held in conjunction with the Universities of Leicester, Nottingham and Lincoln.

Students experienced a wide variety of trips and events during the year. Of particular note, 17 Year 10 students spent 3 weeks on an expedition in Tanzania putting their building and teamwork skills to the test helping to build three schools in the shadow of Mount Kilimanjaro. As part of the trip, students had the opportunity to cook with local families, scuba dive and go on a walking safari. The expedition was the culmination of two years of fundraising by students and their families supported by staff at the academy.

Other events included visiting Wimbledon, Wembley, Auschwitz, Berlin, Drama trips to Leeds and to London, the Lincolnshire Show and Geography visits to the Yorkshire coast.

In March 2018 the academy hosted the FMSP Maths Feast for the first time, with high performing students from across the county in competition against each other. The academy also hosted the Junior Maths Challenge events for Year 7 and 8 students.

The academy's partnership with Lincoln City FC Sports and Educational Trust (now Lincoln City Foundation) continued to grow and provide a further destination for Year 12 learners wishing to gain a BTEC qualification in Sports Coaching. From September 2018 the academy also began hosting matches against other local clubs' Community Teams as part of the EFL Trust's Community and Education Alliance Football League.

In summer 2018, North Kesteven Academy became the only secondary school in the Lincoln area to be awarded the top category Gold in the Caring for Schools award. The award is part of Caring2Learn – a research project run by Lincolnshire County Council and the Department for Education in partnership with University College London – and recognises the caring, supportive and nurturing way work is carried out with young people.

In June 2018 the academy hosted the prestigious Lincolnshire Media Golden Apple Education Awards, with around 260 invited guests enjoying a meal provided by the Academy Catering team followed by an Oscar-style awards ceremony. The event, hosted by Radio Lincolnshire's Melvyn Prior, saw one of the Academy's PE teachers and a Year 10 student shortlisted for their respected categories.

Art students from Year 8 won a local art competition and their designs were chosen to be included as part of a trail in the Sincil Bank area of the city.

During the year, the academy has set up a new alumni group and welcomed a large group of former

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

STRATEGIC REPORT (CONTINUED)

students and staff for a tour in May 2018 who were celebrating a reunion 50 years after leaving in 1968.

Students from Year 7 took first place in the Lincoln Music and Drama Festival in March 2018.

From September 2017, all year 7 students are taught to play a musical instrument (from keyboard to guitar, and even the p-bone – a plastic trombone).

The academy's Year 12 and 13 BTEC students won February's U Dance competition, finishing above local schools and dance companies from across the county, choreographing and presenting a hip hop piece based around the theme of anger management.

In December, the academy's traditional annual show was held in the Terry O'Toole Theatre. Students from year 7 right through to 13 presented Peter Pan to packed audiences including local Primary Schools invited to special performances. The Academy's partnership with North Kesteven District Council and management company Greenwich Leisure means that students continue to enjoy access to world-class facilities in the adjacent ONE NK leisure centre.

A wide range of charity fundraising events took place across the year, culminating in a range of events on the last day of the academic year which alone raised well in excess of £2,000.

In September 2017 the academy officially revealed its fresh new branding and new name (including Academy rather than 'School').

The academy's new College system commenced in September 2017 and saw students placed in Colleges, all named after local influential people. This gave new opportunities for cross-academy competitions and fund-raising in a range of areas. By July, Swift College (named after founder of the Royal College of Nursing, Dame Sarah Swift) were celebrating coming out top in terms of Achievement Points earned over the academic year in a close-run race.

Key Performance Indicators are set by the Department for Education within the term 'headline figures'. OFSTED visit schools approximately every three years. The school's Ofsted inspection of March 2015 was strong and the 'GOOD' judgement means that the school will now be part of the new Ofsted framework and will be likely to receive a short Ofsted inspection in the next year.

Going Concern

After making appropriate enquiries, the trustees have a reasonable expectation that the academy has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern can be found in the Statement of Accounting Policies. As mentioned in note 15, trading deficits posted in recent years have seen the Academy fall into a deficit position overall. This position has been reported to the ESFA, and a recovery plan has been developed and is continually reviewed and updated through the Finance and Audit Committee.

Financial review

Over 92% of the academy trust's income is obtained from exchequer funds – largely from the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. Income from other sources, such as catering, are shown as unrestricted funds and comprise only 8% of the total income of the academy.

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

STRATEGIC REPORT (CONTINUED)

The academy trust also receives grants for fixed assets from the Department for Education. In accordance with the Charities' Statement of Recommended Practice, 'Accounting and Reporting by Charities' SORP 2015, such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Financial and risk management objectives and policies

The academy trust's exposure to financial risks is minimal, due to the fact that the financial instruments that it deals with are largely bank balances, cash and trade creditors, with limited trade and other debtors. There is a deficit on the Local Government Pension Scheme, as described in note 24 to the financial statements but this is subject to periodic actuarial review and is regularly monitored by the trustees.

Reserves policy

The trustees have reviewed the reserves of the trust. This review encompassed the nature of income and expenditure streams, the need to match them with commitments and the nature of reserves.

The balance on the unrestricted fund comprises a designated fund of £3k in respect of the Terry O'Toole Theatre.

The balance on restricted general reserves (excluding the pension reserve) plus unrestricted funds was a deficit of (£386k) at 31 August 2018 (deficit of £126k at 31 August 2017).

The current level of reserves is lower than the academy would normally expect to maintain as a result of the reported deficits in recent periods. Whilst the academy's reserves policy does not specify an absolute value, a prudent level of reserves would normally be approximately one month's worth of income or circa £500k for 2017/18. However, the balance on general restricted funds is shown net of three long term capital loans of £305k repayable over the next six to nine years.

The other reserve of £1.96M represents an unrealised gain on property revaluation and would only be realised in the event of the sale of the school buildings. The Fixed Asset Fund balance of £10.45M can again also only be realised on the sale of fixed assets.

Investment policy

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

Principal risks and uncertainties

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

Future funding of the sector has changed recently with the introduction of the National Funding Formula (NFF) from 2018/19. While funding per pupil will increase in the transitional year of 2018/19 and again on full implementation of the NFF in 2019/20, the academy, in line with much of the sector remains highly sensitive to future decisions on funding. Future changes in political direction may ultimately have an impact on funding received, as will future policy on Teachers' Pay and Teachers' Pension Scheme contributions.

During 2018, neighbouring Sir Robert Pattinson Academy announced its intention to set up their own sixth form provision, effectively ending the current North Hykeham Joint Sixth Form arrangement between the two academies. Year 12 students in September 2018 will therefore be the final cohort to go through two years of the joint arrangement. From September 2019 Year 12 students will all be taught

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

STRATEGIC REPORT (CONTINUED)

at solely at North Kesteven Academy. While this is a risk is setting up and running a number of programmes for the first time, opportunities are also evident especially around performing arts where we currently understand the academy is the only one locally offering a number of A-Level programmes.

The finances of the academy are highly sensitive to the annual intakes in Year 7 and Year 12. New strategies around branding and marketing for the academy are also seen as vital in a competitive local market. The new branding introduced in 2017 provides the academy with a fresh, vibrant look to accurately reflect its ethos. Ultimately, however, the strong historic reputation for excellence and results particularly in performing arts subjects continues to attract students to North Kesteven Academy. It is hoped that a steady improvement in examination and assessment results and collaborative working with local Primary Schools, both in tandem with a rising local population will help to see increasing student recruitment at both Year 7 and Year 12.

Risk management

The trustees have assessed the major risks to which the academy trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the trust, and its finances. The academy has an approved Risk Policy and a Risk Register in place which is updated on an annual basis. The trustees have implemented a number of systems to assess risks that the academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, security of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover through the Risk Protection Arrangement (RPA).

Plans for future periods

The academy continues to enjoy access to the world-class facilities at the neighbouring ONE NK Leisure Centre through its 'Chance to Share' arrangements with Lincolnshire County Council, North Kesteven District Council and their management company. The centre benefited from £3.6M of capital investment in 2016, includes 3G pitches, dance studios, spinning studio, a fully refurbished swimming pool, learner pool and state of the art leisure slide. In addition, the site houses a professional theatre (The Terry O'Toole Theatre). All this is immediately adjacent to the academy and exclusively available during the school day. The centre remains a major selling point for the academy and is at the forefront of future strategic thinking.

The academy has a clear site impact plan with a full programme of re-decoration, refurbishment and furniture replacement in place. The academy's current plans for the site include looking to secure Condition Improvement Fund grants to assist in renewing aging elements of the site such as the numerous flat roofs and the heating system. While neither are causing significant problems at the moment, unchecked they could cause issues in the future.

The academy continues to engage with Lincolnshire County Council around potential increases in capacity to support the forecast demographic increases locally from 2018/2019. Lincolnshire County Council are leading this project locally and have ring-fenced funding under the Basic Needs Fund to support the required capital programme.

The school's 10 day timetable provides the degree of flexibility required to meet the continuing and ongoing changes to the curriculum, assessment and qualification systems. Considerable investment has been made in 2017/18 in improving the efficiency of the timetable and ensuring it is robust, sensible

North Kesteven Academy

Trustees' Report (continued)

For the year ended 31 August 2018

STRATEGIC REPORT (CONTINUED)

and well placed to allow the academy to continue to offer a broad, balanced curriculum with academic, vocational and creative pathways.

The academy has received national acclaim with the award of Artsmark Gold and this will give great impetus and credibility to future recruitment of students.

Staffing costs continued to reduce during 2017/18, with careful scrutiny of the staffing budget (and particularly any vacancies) to ensure it meets the needs of the academy. Any necessary teaching recruitment has been, and will continue to be, primarily centred on teachers with 1 to 3 years of experience. However, the philosophy of encouraging staff to develop their skills and experience is a cornerstone of the academy's Professional Learning programme and inevitably leads to promotion opportunities for some. A strategy will be adopted to recruit from within as the academy is a member of the Lincolnshire Teaching School Alliance (LTSA) and has recruited a number of trainees over the past year, some of which have successfully been recruited to permanent roles. In the medium term this membership of LTSA and its status as a SCITT (School Centred Initial Teacher Training) centre will be vital in our budget strategy.

Auditor

Insofar as the trustees are aware:

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

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

The Trustees Annual Report, incorporating the Strategic Report, was approved by the board of trustees as the company directors on 4 December 2018 and signed on the board's behalf by:



J P Sloan
Chair
4 December 2018

North Kesteven Academy

Governance Statement

For the year ended 31 August 2018

Scope of responsibility

As trustees, we acknowledge the overall responsibility for ensuring that North Kesteven 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 board of trustees has delegated the day-to-day responsibility to the Head teacher, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between North Kesteven Academy and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

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

Trustee	Meetings attended	Out of a possible
M A Taylor (Chair to 31/8/2018)	5	6
R Barrett	5	6
J Burnett	5	6
N Wilkinson-McKie (Head teacher and Accounting Officer)	4	4
J Tunnicliffe (acting Head Teacher from 17/7/18)	1	1
N Cooper	4	6
M Gallimore	6	6
J Sloan	6	6
D Salisbury	6	6
A Greenwood	6	6
R Shore (resigned 4/10/17)	0	1
K Vause (resigned 31/8/2018)	3	6
S van Zyl	5	6

Governance reviews

There have been no governance reviews during the course of 2017/18 but the situation has been assessed and reviews of various different natures e.g. committee structures, staff pay and performance, will be undertaken throughout the forthcoming financial year.

The Finance and Audit Committee is a sub-committee of the main board of trustees. Its purpose is to propose the annual budget, review actual performance throughout the year in financial matters, review the effectiveness of financial internal controls through internal audit, advise the trustees on the appropriateness or otherwise of spending requests outside the delegated powers given to it and monitor and keep under review the needs and requirements of the academy in relation to competitive tendering.

North Kesteven Academy
Governance Statement (continued)
For the year ended 31 August 2018

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

Trustee	Meetings attended	Out of a possible
M A Taylor	3	6
R Barrett (Chair)	6	6
N Wilkinson-McKie (Head teacher and Accounting Officer)	6	6
D Salisbury	5	6
A Greenwood	5	6

Review of Value for Money

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in North Kesteven Academy for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The trustees have reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The trustees are of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

North Kesteven Academy

Governance Statement (continued)

For the year ended 31 August 2018

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance and Audit Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- setting targets to measure financial and other performance;
- identification and management of risks.

During 2016, the board of trustees appointed Nicholsons, Chartered Accountants as internal auditor. A programme of internal audit work has been agreed by the Finance & Audit Committee and internal audit reviews of Key Financial Controls have taken place in each year since.

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

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

Review of effectiveness

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

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

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

Approved by order of the members of the board of trustees on 4 December 2018 and signed on its behalf by:



J P Sloan
Chair



J Tunnicliffe
Accounting Officer

North Kesteven Academy

Statement on Regularity, Propriety and Compliance

For the year ended 31 August 2018

As Accounting Officer of North Kesteven Academy, I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA 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 2017.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's Funding Agreement and the Academies Financial Handbook 2017.

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



J Tunnicliffe
Accounting Officer

4 December 2018

North Kesteven Academy

Statement of Trustees' Responsibilities

For the year ended 31 August 2018

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

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

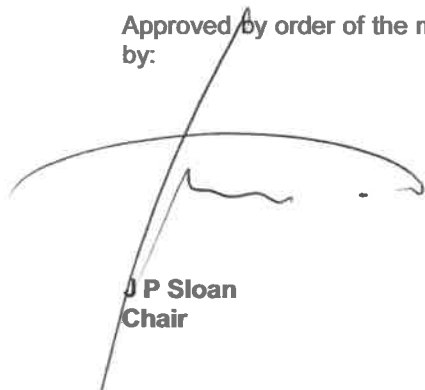
- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards [FRS 102] have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The trustees are responsible for ensuring that in its conduct and operation, the charitable company applies financial and other controls which conform to the requirements of both propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 4 December 2018 signed on its behalf by:



J P Sloan
Chair

North Kesteven Academy

Independent Auditor's Report on the Financial Statements to the Members of North Kesteven Academy

For the year ended 31 August 2018

Opinion

We have audited the financial statements of North Kesteven Academy (the 'Academy') for the year ended 31 August 2018, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2018 and of its results for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Academy's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

North Kesteven Academy

Independent Auditor's Report on the Financial Statements to the Members of North Kesteven Academy (continued)

For the year ended 31 August 2018

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Trustees' Report.

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.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities on page 18, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Academy or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

North Kesteven Academy

Independent Auditor's Report on the Financial Statements to the Members of North Kesteven Academy (continued)

For the year ended 31 August 2018

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Academy to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Academy to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Academy audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Academy's Trustees, 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 trustees 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 and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Alan Nesbitt BA FCA (Senior Statutory Auditor)
For and on behalf of Forrester Boyd, Statutory Auditor

Waynflete House
139 Eastgate
Louth
Lincolnshire
LN11 9QQ

Date:.....

North Kesteven Academy

Statement of Financial Activities (including Income and Expenditure Account)

For the year ended 31 August 2018

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Income and endowments from:						
Donations and capital grants	2	16	-	82	98	60
Charitable activities:						
Academy Trust's educational operations	3	-	5,946	-	5,946	6,085
Other trading activities	4	356	102	-	458	418
Investment income	5	-	-	-	-	1
Total		372	6,048	82	6,502	6,564
Expenditure						
Charitable activities:						
Academy Trust's educational operations	6	-	6,619	292	6,911	6,818
Other trading activities	6	344	-	-	344	357
Total		344	6,619	292	7,255	7,175
Net income/(expenditure)		28	(571)	(210)	(753)	(611)
Transfers between funds	15	(45)	73	(28)	-	-
Net expenditure for the year		(17)	(498)	(238)	(753)	(611)
Other recognised gains and losses:						
Revaluation of school buildings		-	-	-	-	-
Actuarial gains/(losses) on defined benefit pension scheme	24	-	646	-	646	323
Net movement in funds		(17)	148	(238)	(107)	(288)
Reconciliation of funds						
Total funds brought forward		20	(3,184)	12,405	9,241	9,529
Total funds carried forward	15	3	(3,036)	12,167	9,134	9,241

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

The notes on pages 25 to 45 form part of these financial statements.

North Kesteven Academy

Balance Sheet as at 31 August 2018

Company Number: 07657605

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	11		12,167		12,405
Current assets					
Debtors	12	275		399	
Cash at bank and in hand		<u>70</u>		<u>337</u>	
		345		736	
Creditors: amounts falling due within one year	13	<u>(457)</u>		<u>(556)</u>	
Net current assets			<u>(112)</u>		<u>180</u>
Total assets less current liabilities			12,055		12,585
Creditors: amounts falling due after more than one year	14		<u>(271)</u>		<u>(306)</u>
Net assets excluding pension liability			<u>11,784</u>		<u>12,279</u>
Pension scheme liability	24		<u>(2,650)</u>		<u>(3,038)</u>
Total net assets			<u>9,134</u>		<u>9,241</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	15	10,211		10,449	
Other Reserve	15	1,956		1,956	
General fund	15	<u>(386)</u>		<u>(146)</u>	
Restricted funds excluding pension reserve		11,781		12,259	
Pension reserve	24	<u>(2,650)</u>		<u>(3,038)</u>	
Total restricted funds			9,131		9,221
Total unrestricted funds	15		<u>3</u>		<u>20</u>
Total funds			<u>9,134</u>		<u>9,241</u>

The financial statements on pages 25 to 45 were approved by the trustees and authorised for issue on 4 December 2018 and are signed on their behalf by:


J P Sloan
Chair of Trustees

The notes on pages 25 to 45 form part of these financial statements.

North Kesteven Academy

Statement of Cash Flows

For the year ended 31 August 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash flow used in operating activities	19	(217)	(352)
Cash flows from investing activities	21	28	(47)
Cash flows from financing activities	20	(49)	(15)
(Decrease)/Increase in cash in the reporting period	22	<u>(238)</u>	<u>(414)</u>
Reconciliation of net cash flow to movement in net funds			
Cash and cash equivalents at 1 September		<u>308</u>	<u>722</u>
Cash and cash equivalents at 31 August	22	<u>70</u>	<u>308</u>

The notes on pages 25 to 45 form part of these financial statements

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

1. Statement of accounting policies

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

Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

North Kesteven Academy meets the definition of a public benefit entity under FRS 102. These Financial Statements were prepared in sterling and have been rounded to the nearest pound (or thousand pounds as appropriate).

Going concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the trust to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future, and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements. As mentioned in note 15, trading deficits posted in recent years have seen the Academy fall into an overall deficit position overall. This position has been reported to the ESFA, and a recovery plan has been developed and is continually reviewed and updated through the Finance and Audit Committee.

Income

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

- Grants

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

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

Other grants are recognised in the period in which they are receivable to the extent the conditions of funding have been met. Where income is received in advance of entitlement its

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

1. Statement of accounting policies (*Continued*)

recognition is deferred and included in creditors as deferred income until the performance – related conditions are met.

- **Sponsorship income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

- **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable 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 academy trust has provided the goods or services.

- **Donated goods, facilities and services**

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

- **Donated fixed assets**

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

- **Interest receivable**

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

Expenditure

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

- **Expenditure on raising funds**

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

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

1. Statement of accounting policies (*continued*)

- Charitable activities

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

All resources expended are inclusive of irrecoverable VAT

Intangible fixed assets

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

Purchased computer software	- 3 years
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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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy, the corresponding amount charged to the restricted fixed asset fund in the Statement of Financial Activities.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Freehold buildings	- 50 years/20years
Furniture and equipment	- 10 years
Motor vehicles	- 7 years
Computer equipment	- 5 years

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

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

North Kesteven Academy
Notes to the Financial Statements
For the year ended 31 August 2018

1. Statement of accounting policies (*continued*)

Liabilities

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

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Leased assets

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

Financial Instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13 and 14. Taxation and social security liabilities are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

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

Pension benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

1. Statement of accounting policies (*continued*)

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and the interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Fund accounting

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency or the Department for Education.

Critical accounting estimates and assumptions.

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

1. Statement of accounting policies (*continued*)

Agency accounting

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 26.

2. Donations and capital grants

	Unrestricted Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Capital grants	-	82	82	40
Other donations	16	-	16	20
Total	16	82	98	60

3. Funding for the Academy Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	5,535	5,535	5,653
Other DfE/ESFA grants	-	287	287	292
	-	5,822	5,822	5,945
Other Government grants				
Special education projects	-	124	124	140
Total	-	5,946	5,946	6,085

4. Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Catering income	323	-	323	334
Other income	33	102	135	84
Total	356	102	458	418

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

5. Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Investment income	-	-	-	1
Total	-	-	-	1

6. Expenditure

	Staff costs £000	Non Pay expenditure		Total 2018 £000	Total 2017 £000
		Premises £000	Other £000		
Academy Trust's educational operations					
-Direct costs	4,210	-	546	4,756	4,881
-Allocated support costs	957	797	401	2,155	1,937
	<u>5,167</u>	<u>797</u>	<u>947</u>	<u>6,911</u>	<u>6,818</u>
Other trading activities	196	-	148	344	357
Total expenditure	<u>5,363</u>	<u>797</u>	<u>1,095</u>	<u>7,255</u>	<u>7,175</u>

Net income/(expenditure) for the period includes:

	2018 £000	2017 £000
Depreciation	292	284
Fees payable to auditor for:		
- audit	7	8
- other services	1	1
Operating lease rentals	30	30

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

7. Charitable activities

	Total 2018 £000	Total 2017 £000
Direct costs:		
Teaching and educational support staff costs	4,210	4,454
Educational supplies	77	98
Educational visits	124	30
Examination fees	156	145
Staff development	16	11
Educational consultancy	154	119
Other direct costs	19	24
	4,756	4,881
Allocated support costs:		
Support staff costs	777	589
Pension cost from defined benefit scheme FRS102 report	180	166
Depreciation	292	284
Recruitment and support	17	35
Premises costs	505	483
Insurance	46	50
Security and transport	16	21
Bank interest and charges	19	21
Net interest cost from defined benefit pension scheme FRS102 report	78	67
Other support costs	215	209
Governance costs	10	12
	2,155	1,937
Total	6,911	6,818

8. Staff

a) Staff costs

Staff costs during the year were:

	Total 2018 £000	Total 2017 £000
Wages and salaries	3,780	4,011
Social security costs	334	338
Operating costs of defined benefit pension schemes	842	822
Apprenticeship levy	4	2
Total Staff costs	4,960	5,173
Staff supply costs	267	216
Staff restructuring costs	136	8
Total	5,363	5,397
Staff restructuring costs comprise:		
Redundancy payments	30	4
Severance payments	40	4
Other restructuring costs	66	-
Total	136	8

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

8. Staff (*continued*)

b) Staff numbers

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

	2018 No.	2017 No.
Teachers	63	72
Administration and support	64	71
Management	11	10
Total	137	153

The average number of persons (including senior management team) employed by the Academy during the year expressed as full time equivalents was 113 (2017: 130)

c) Higher paid staff

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

	2018 No.	2017 No.
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	-	-
£90,001 - £100,000	1	-
£100,001 - £110,000	-	-

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

d) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior leadership team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by the key management personnel for their services to the academy trust was £809,078 (2017: £644,679).

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

9. Related Party Transactions - Trustees' remuneration and expenses

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

The value of trustees' remuneration and other benefits was as follows:

N Wilkinson-McKie (Head teacher (Accounting Officer), and trustee):

Remuneration £90,000-£95,000 (2017: £75,000 - £80,000)

Employers pension contributions paid £15,000-£20,000 (2017: £10,000-£15,000)

M Gallimore (Staff trustee):

Remuneration £20,000-£25,000 (2017: £15,000-£20,000)

Employers pension contributions paid £0 - £5,000 (2017: £0 - £5,000)

R Shore (Staff trustee):

Remuneration nil (2017: £15,000-£20,000)

No employers' pension contributions were paid in 2017 or 2018

(Mr Shore retired from his employment with the Academy on 19 July 2017)

During the year to 31 August 2018, £nil in total was reimbursed in respect of out of pocket travel and subsistence expenses to trustees. In 2017 out of pocket expenses were reimbursed to one trustee (the Head teacher) totalling £344.

Related party transactions involving the Trustees are set out in Note 25.

10. Trustees' and officers' insurance

The Academy Trust has opted into the Department for Education's Risk Protection Arrangement (RPA), an alternative to insurance where the UK Government funds cover losses that arise. The scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business and provides an unlimited cover. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme. The cost of the insurance scheme is included in the total insurance cost.

The academy trust was also a member of the same scheme during the 2016/2017 Reporting Period.

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

11. Tangible fixed assets

	Freehold land & buildings £000	Furniture, equipment & vehicles £000	Computer equipment £000	Total 2018 £000
Cost				
1 September 2017	12,382	333	137	12,852
Additions	6	15	33	54
31 August 2018	12,388	348	170	12,906
Depreciation				
1 September 2017	246	146	55	447
Charged in year	246	26	20	292
31 August 2018	492	172	75	739
Net book values				
31 August 2018	11,896	176	95	12,167
31 August 2017	12,136	187	82	12,405

Included in the total cost of freehold land & buildings of £12,388,000 is £1,410,000 of land which is not depreciated.

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

The academy trust's transactions relating to land and buildings included £6,000 spent on resurfacing works to access roads into the Academy, this work was completed by Kier as part of a larger contract across the neighbouring site procured by North Kesteven District Council.

12. Debtors

	2018 £000	2017 £000
Trade debtors	83	159
Prepayments and accrued income	185	165
VAT recoverable	2	69
Other debtors	5	6
Total	275	399

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

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

13. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdraft	-	29
Trade creditors	86	225
Taxation & social security creditors	90	92
Other creditors	58	111
Accruals and deferred income	223	99
Total	457	556
Deferred income:	2018 £000	2017 £000
Deferred income at 1 September	8	14
Income deferred in the year	19	8
Amounts released from previous years	(8)	(14)
Deferred income at 31 August	19	8

Included in Other Creditors is the element of loans due for repayment within one year being £35,341. Full details of the loans are shown below.

Deferred income comprises £19k from the Educational and Skills Funding Agency in respect of funding for the Academy's Council Tax costs from September 2018 to March 2019. This funding is claimed annually based on the total cost, and released monthly to income, matching costs.

14. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
<i>Loans inherited on conversion</i>		
Amounts due within 2 to 5 years	162	154
Amounts due after more than 5 years	109	152
	271	306

The balance above is comprised of three separate capital loans with Lincolnshire County Council which were transferred to the academy trust on conversion. The amounts repayable within one year are included in Creditors due within one year under Other Creditors above (2018 - £35,341; 2017 - £49,561). Details of these loans are shown below:

Date of loan	Term	Original Amount	Interest Rate per annum	Balance at 31 August 2018	Amount due within one year	Amount due in more than one year
01/06/1999	25 yrs	400,000	5.250%	147,188	21,467	125,721
19/06/2002	25 yrs	150,000	6.000%	80,180	6,951	73,229
19/07/2002	25 yrs	150,000	5.625%	78,590	6,923	71,667
Total		700,000		305,958	35,341	270,617

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

15. Funds

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses & transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	209	5,593	(5,906)	24	(80)
Pupil Premium	-	229	(229)	-	-
Local Authority grants	-	124	(124)	-	-
Other restricted income	-	102	(102)	-	-
Inherited loan	(355)	-	-	49	(306)
Pension reserve	(3,038)	-	(258)	646	(2,650)
	<u>(3,184)</u>	<u>6,048</u>	<u>(6,619)</u>	<u>719</u>	<u>(3,036)</u>
Restricted fixed asset funds					
DfE/ESFA capital grants	1,057	82	-	-	1,139
Capital expenditure from GAG or other funds	588	-	-	(28)	560
Assets transferred on conversion	8,804	-	(292)	-	8,512
Other Reserves	1,956	-	-	-	1,956
	<u>12,405</u>	<u>82</u>	<u>(292)</u>	<u>(28)</u>	<u>12,167</u>
Total restricted funds	9,221	6,130	(6,911)	691	9,131
Unrestricted funds					
- General	-	372	(344)	(28)	-
- Designated Theatre fund	20	-	-	(17)	3
Total unrestricted funds	<u>20</u>	<u>372</u>	<u>(344)</u>	<u>(45)</u>	<u>3</u>
Total funds	<u>9,241</u>	<u>6,502</u>	<u>(7,255)</u>	<u>646</u>	<u>9,134</u>

During the year a transfer of £28k was made from unrestricted funds to restricted general funds. The trust has historically generated large amounts of unrestricted income and made the decision to transfer this amount to support the restricted funds. £28k was transferred to Restricted General Funds from the Restricted Fixed Assets Fund being the net of fixed asset income and expenditure. The Academy benefited from the award of Section 106 funding from Lincolnshire County Council during the reporting period in relation to the Refurbishment of the Restaurant dating back to 2015 and partially funded from General Funds at the time.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Restricted general funds

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

Restricted fixed asset funds

The restricted fixed asset funds relate predominantly to the assets acquired on conversion to an

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

15. Funds (continued)

Academy Trust, being the property. The other reserve represents the unrealised gain on revaluation of the main school buildings.

Unrestricted funds

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

The academy trust is carrying a net deficit of (£386,000) on restricted general funds (excluding pension reserve) plus unrestricted funds because of the operating deficits seen in recent years and also because of long term loans included here (currently £306,000). The trust's long-term financial strategy was presented in summer 2018 and plans to continue with efficiency savings and run the academy at an operating break-even (or better) to return these funds to surplus.

Comparative information in respect of preceding period is as follows:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses & transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	406	5,717	(5,895)	(19)	209
Pupil Premium	-	228	(228)	-	-
Local Authority grants	-	140	(140)	-	-
Other restricted income	-	38	(38)	-	-
Inherited loan	(371)	-	-	16	(355)
Pension reserve	(3,128)	-	(233)	323	(3,038)
	<u>(3,093)</u>	<u>6,123</u>	<u>(6,534)</u>	<u>320</u>	<u>(3,184)</u>
Restricted fixed asset funds					
DfE/ESFA capital grants	1,017	40	-	-	1,057
Capital expenditure from GAG or other funds	541	-	-	47	588
Assets transferred on conversion	9,088	-	(284)	-	8,804
Other Reserves	1,956	-	-	-	1,956
	<u>12,602</u>	<u>40</u>	<u>(284)</u>	<u>47</u>	<u>12,405</u>
Total restricted funds	9,509	6,163	6,818	367	9,221
Unrestricted funds					
- General	-	401	(357)	(44)	-
- Designated Theatre fund	20	-	-	-	20
Total unrestricted funds	<u>20</u>	<u>401</u>	<u>(357)</u>	<u>(44)</u>	<u>20</u>
Total funds	<u>9,529</u>	<u>6,564</u>	<u>(7,175)</u>	<u>323</u>	<u>9,241</u>

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

15. Funds (continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses & transfer s £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	406	11,310	(11,801)	5	(80)
Pupil Premium	-	457	(457)	-	-
Local Authority grants	-	264	(264)	-	-
Other restricted income	-	140	(140)	-	-
Inherited loan	(371)	-	-	65	(306)
Pension reserve	(3,128)	-	(491)	969	(2,650)
	<u>(3,093)</u>	<u>12,171</u>	<u>(13,156)</u>	<u>1,039</u>	<u>(3,036)</u>
Restricted fixed asset funds					
DfE/ESFA capital grants	1,017	122	-	-	1,139
Capital expenditure from GAG or other funds	541	-	-	19	560
Assets transferred on conversion	9,088	-	(576)	-	8,512
Other Reserves	1,956	-	-	-	1,956
	<u>12,602</u>	<u>122</u>	<u>(576)</u>	<u>19</u>	<u>12,167</u>
Total restricted funds	9,509	12,293	(13,729)	1,058	9,131
Unrestricted funds					
General	-	773	(701)	(72)	-
Designated Theatre fund	20	-	-	(17)	3
Total unrestricted funds	20	773	(701)	(89)	3
Total funds	9,529	13,066	(14,430)	969	9,134

16. Analysis of net assets between funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets	-	-	12,167	12,167
Current assets	3	342	-	342
Current liabilities	-	(457)	-	(457)
Long term liabilities	-	(271)	-	(271)
Pension scheme liability	-	(2,650)	-	(2,650)
Total net assets	3	(3,036)	12,167	9,134

North Kesteven Academy
Notes to the Financial Statements
For the year ended 31 August 2018

16. Analysis of net assets between funds (continued)

Comparative information in respect of the preceding period is as follows:

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets	-	-	12,405	12,405
Current assets	20	687	-	707
Current liabilities	-	(527)	-	(527)
Long term liabilities	-	(306)	-	(306)
Pension scheme liability	-	(3,038)	-	(3,038)
Total net assets	20	(3,184)	12,4015	9,241

17. Capital commitments

	2018 £000	2017 £000
Contracted for, but not provided in the financial statements	-	-

18. Commitments under operating leases

Operating leases

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

	2018 £000	2017 £000
Amounts due within one year	41	16
Amounts due between one and five years	133	48
	175	64

19. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018 £000	2017 £000
Net (expenditure) for the reporting period (as per the statement of financial activities)	(753)	(611)
Depreciation (note 11)	292	284
Capital grants from DfE and other capital income	(82)	(40)
Interest receivable	-	(1)
Defined benefit pension scheme cost less contributions payable (note 22)	180	166
Defined benefit pension scheme pension finance costs (note 22)	78	67
Decrease/(Increase) in debtors	124	(210)
(Decrease) in creditors excluding overdraft	(56)	(7)
Net cash (outflow) from operating activities	(217)	(352)

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

20. Cash flows from financing activities

	2018	2017
	£000	£000
Repayment of borrowing	(49)	(16)
Interest received	-	1
Net cash inflow from returns on investment and servicing of finance	(49)	(15)

21. Cash flows from investing activities

	2018	2017
	£000	£000
Purchase of tangible fixed assets	(54)	(87)
Capital grants from Government bodies	82	40
Net cash inflow/(outflow) from capital expenditure and financial investment	28	(47)

22. Analysis of changes in net funds

	At 1		At 31
	September	Cash	August
	2017	flows	2018
	£000	£000	£000
Cash in hand and at bank	308	(238)	70

23. Members' liabilities

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

24. Pension and similar obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

24. Pension and similar obligations (*continued*)

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year for the TPS. Contributions of £19,123 (2017: £17,045) were payable to the LGPS at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pensions Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2012 in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published 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)
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- An employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

Previously, the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £439,621 (2017: £459,163).

A copy of the valuation report and supporting documentation is on the [Teachers Pensions website](#).

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

24. Pensions and similar obligations (*continued*)

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £283,000 (2017: £257,000) of which employer's contributions totalled £224,000 (2017: £197,000) and employees' contributions totalled £59,000 (2017: £60,000). The agreed contribution rates for future years are 18.7% for employers and between 5.5% and 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 an academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came in force on 18 July 2013.

Principal Actuarial Assumptions	At 31 August 2018	At 31 August 2017
Rate of increase for pensions in payment/inflation	2.4%	2.4%
Rate of increase in salaries	2.8%	2.8%
Discount rate for scheme liabilities	2.8%	2.5%

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 2018	At 31 August 2017
<i>Retiring today</i>		
Males	22.1	22.1
Females	24.4	24.4
<i>Retiring in 20 years' time</i>		
Males	24.1	24.1
Females	26.6	26.6

Sensitivity analysis

	At 31 August 2018	
	Approx. % increase to Defined Benefit Obligation	Approximate monetary value (£000)
Change in assumptions:		
0.5% decrease in Real Discount Rate	13%	805
0.5% increase in Salary Increase Rate	2%	111
0.5% increase in the Pension Increase Rate	11%	686

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

24. Pensions and similar obligations (continued)

The academy trust's share of assets in the scheme were as follows:

	Estimated split of assets at 31 August 2018	Fair value at 31 August 2018 £000	Estimated split of assets at 31 August 2017	Fair value at 31 August 2017 £000
Equities	73%	2,592	78%	2,413
Bonds	15%	532	12%	371
Property	11%	391	9%	279
Cash	1%	35	1%	31
Total market value of assets		3,550		3,094
Present value of funded liabilities		(6,200)		(6,132)
Present value of unfunded liabilities		-		-
Deficit in the scheme		(3,038)		(3,038)

The actual return on scheme assets was £252,000 (2017: £21,000).

Amount recognised in the Statement of Financial Activities

	2018 £000	2017 £000
Current service cost (net of employee contributions)	(404)	(363)
Interest income	80	63
Interest cost	(158)	(130)
Total amount recognised in the Statement of Financial Activities	(482)	(430)

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

	2018 £000	2017 £000
At 1 September	6,132	6,024
Current service cost	404	363
Employee contributions	59	60
Actuarial (gain)/loss	(474)	(365)
Interest cost	158	130
Benefits paid	(79)	(80)
At 31 August	6,200	6,132

North Kesteven Academy

Notes to the Financial Statements

For the year ended 31 August 2018

24. Pensions and similar obligations (*continued*)

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

At 1 September	3,094	2,896
Expected return on assets	80	63
Actuarial gain/(loss)	172	(42)
Employer contributions	224	197
Employee contributions	59	60
Benefits paid	(79)	(80)
At 31 August	<u>3,550</u>	<u>3,094</u>

25. Related party transactions

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

No related party transactions took place in the year.

26. Agency arrangements

The Academy Trust administers the disbursements of the new discretionary support for learners, 16-19 Bursary Funds, on behalf of the ESFA. In the year it received £17,558 (2017: £19,224) and disbursed £17,558 (2017: £19,224).

North Kesteven Academy

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

For the year ended 31 August 2018

In accordance with the terms of our engagement letter dated 3rd July, 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by North Kesteven Academy during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The Accounting Officer is responsible, under the requirements of the Governing Body's funding agreement with the Secretary of State for Education dated 31 March 2011 and the Academies Financial Handbook extant from 1 September 2017, 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 2017 to 2018. 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 from 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

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

The work undertaken to draw to our conclusion includes:

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

North Kesteven Academy

Independent Reporting Accountant's Report on Regularity to North Kesteven Academy and the Education and Skills Funding Agency (continued)

For the year ended 31 August 2018

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 from 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

.....
Alan Nesbitt BA FCA, (Reporting Accountant)

For and on behalf of Forrester Boyd, Chartered Accountants

Waynflete House
139 Eastgate
Louth
Lincolnshire
LN11 9QQ

Date:.....

