

**Stratton Education Trust  
(A Company Limited by Guarantee)**

**Consolidated Financial Statements**

**Year ended 31 August 2013**

**Company Registration Number:  
07798627 (England and Wales)**

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for the Year Ended 31 August 2013**

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## Reference and Administrative Details

### Trustees

Mr Ian Bond – resigned 9 September 2013  
Mr James Booth  
Mr Andrew Field  
Mrs Madeline Russell  
Mr Robert Watson  
Mr Peter Woodward - Deceased 3 January 2013  
Mr Nigel Lillywhite – appointed 9 September 2013

### Governors

Mr Ian Bond (Co-opted)  
Mrs Amanda Brown (Staff) – Resigned August 2013  
Mr James Booth \* (Trust)  
Mr Andrew Field (Trust)  
Mrs Irene Gray \* (Staff) – Resigned June 2013  
Mr Tudor Fox (Parent)  
Mrs Rosalind Hodges (Staff) – Resigned August 2013  
Mr Eddie Kane \* (Parent)  
Mr Nigel Lillywhite (Parent)  
Mrs Anna Osborne (Staff) – Resigned June 2013  
Mr Colin Pheysey \* (Staff, ex officio)  
Mrs Hazel Ramsay (Trust)  
Mr Alan Rix \* (Parent) – Resigned September 2013  
Mr Bernard Rix (Trust)  
Mrs Madeline Russell \* (Trust) (Chairman)  
Mr Christopher Smith \* (Trust) – Resigned September 2013  
Mr Jim Tan \* (Parent) – Resigned September 2013  
Mrs Claire Twydell (Parent)  
Mrs Christina Ward (Trust)  
Mr Peter Ward \* (Staff)  
Mr Robert Watson \* (Staff, ex officio) (Executive Head and Accounting Officer)  
Mr Richard Westergreen-Thorne (Co-opted)  
Mr Peter Woodward (Trust) - Deceased 3 January 2013  
Mrs Terri Bruce (Parent)  
Mr Andrew Goodyear \* (Parent) – appointed September 2013  
Mr Simon Luxton (Staff) – appointed September 2013  
Mrs Claire Neish \* (Parent) – appointed September 2013  
Mr Chris Westhead \* (Staff) – appointed September 2013  
Ms Jane Harper (Staff)  
Mr James Birkett (Staff)

\*Members of the Finance and Premises Committee

### Company Secretary

Mrs Kim Feenan – Resigned 28 November 2013  
Position vacant

### Senior Management

Mr James Birkett, Deputy Headteacher appointed 1 September 2012, Stratton Upper School  
Ms Lesley Harper, Deputy Headteacher appointed 1 September 2012, Stratton Upper School  
Mr Colin Pheysey, Head of College, Gamlingay Village College  
Miss Julie Rodbourne-Williams, Deputy Headteacher to 31 October 2013, Gamlingay Village College  
Miss Julie Brown Business Manager, Stratton Upper School

**Reference and Administrative Details (cont.)**

|                                 |  |
|---------------------------------|--|
| Principal and Registered Office | Eagle Farm Road<br>Biggleswade<br>Bedfordshire<br>SG18 8JB                                       |
| Company Registration Number     | 7798627 (England & Wales)  |
| Independent Auditor             | George Hay Chartered Accountants<br>St George's House<br>George Street<br>Huntingdon<br>PE29 3GH |
| Responsible Officer             | Duncan & Toplis<br>15 Chequergate<br>Louth<br>Lincolnshire<br>LN11 0LJ                           |
| Bankers                         | Lloyds TSB plc<br>35 High Street<br>Biggleswade<br>SG18 0JD                                      |
| Solicitors                      | Eversheds<br>Bridgwater Place<br>Water Lane<br>Leeds<br>LS11 5DR                                 |

## **Governors' Report**

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the year 1<sup>st</sup> September 2012 to 31st August 2013. The company was incorporated on 5th October 2011 and started operating as an Academy on 1st February 2012.

### **Structure, Governance and Management**

#### **Constitution**

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governance documents of the Academy Trust.

The Trustees of Stratton Education Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Stratton Education Trust and includes Stratton Upper School, Gamlingay Village College.

The Trustees of the charitable company are as listed on page 1. The Trustees are:

- The Chairman of the Board of Governors;
- Three appointed Governors chosen for their experience in school governance;
- The Executive Headteacher.

#### **Governors' Committees**

There are currently four Governors Committees:

##### **Staff and Students Committee**

- To consider the schools' procedures for reporting to parents on the progress of students;
- To monitor student attendance and discipline and draw up any general principles of pupil discipline for ratification by the full governing body;
- To recommend a pupil admissions policy to the full governing body;
- To consider matters relevant to the general welfare and well-being of the students of the school;
- To recommend a Safeguarding policy;
- To draft and keep under review a policy statement on staff consultation for approval by the full governing body;
- To review and recommend for adoption the procedures for dealing with discipline and grievance and ensure that the staff are informed of them;
- To produce in conjunction with the Headteacher, such policies as are deemed to be required to cover personnel issues (including conditions of service) e.g. policies about secondment, supply cover, leave of absence and part-time working;
- To oversee the staff appraisal procedures;
- To receive reports on staff and governor training and development, and make recommendations.

### **Teaching and Learning Committee**

- The Teaching & Learning Committee deals with all curricular matters including:
- School curriculum;
- Times of the school day;
- Policies relating to the curriculum;
- SEN provision;
- School Improvement Plan;
- Promoting the school in the community.

### **Finance and Premises Committee**

- The Finance & Premises Committee deals with all financial matters including:
- Providing guidance and assistance to the Headteacher and Full Governing Body in matters relating to budgeting and finance;
- Preparation and review of financial policies;
- Present an annual budget plan to the Full Board of Governors for approval;
- Monitor income and expenditure of all funds held by the Trust;
- Oversee capital expenditure;
- Prepare a lettings charging policy;
- Providing guidance and assistance to the Headteacher and Full Governing Body in matters relating to the premises and grounds, security and health and safety;
- To approve plans, costs and arrangements for maintenance, repairs and redecoration and extension of the buildings within the budget allocation;
- To receive reports on the maintenance of the school grounds, and make recommendations to the full governing body;
- To consider all aspects of the usage, efficiency and potential development of the school premises;
- To ensure that the school complies with health and safety regulations.

### **Audit & Risk Committee**

The Audit and Risk Committee ensures that the Trust has appropriately identified actual and potential risks to the pursuit of its activities and has appropriate mitigation in place. It ensures that the annual financial statements give a true and fair view of the activities of the Trust.

#### **Membership**

This committee is appointed by the Governing Body and consists of no more than five members.

To ensure rigour, the Chairman of the Trust, Chairman of the Finance and Premises Committee, Executive Headteacher or other staff governors who are involved in the financial management of the Trust will not be members though they may be invited to attend to provide information.

The Committees' purpose:

- To determine whether appropriate accounting methods are being applied;
- To secure ensure the Trust has access to an appropriate Auditor;
- Determine whether the performance of the audit is satisfactory and effective and meets the requirements of the Trust;
- To determine whether systems are in place to identify and monitor major business risks effectively;
- To ensure the existence and development of an effective business continuity plan;
- To draw to the attention of the governing body or financial matters which may materially affect the current or future position of the Trust;
- To verify the establishment of policies and procedures monitoring compliance with applicable laws and within the Trusts' policies;
- To identify to the Governing Body matters that exposes the Trust to potential legal action;
- To review the status of pending or threatened material litigation;
- To determine whether conflict of interest guidelines are complied with;
- To review the processes of Governance to ensure the Trust implements best practice.

#### 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.

#### Governors' Indemnities

In accordance with normal commercial practice, the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim. The cost for the period ended 31 August 2013 was £1,360.08 and this cost is included in the total insurance cost.

#### Principal Activities

To advance for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

The main objectives of the Trust are summarised below

- to raise the standard of educational achievement for all pupils and students;
- to provide a safe and welcoming environment and a stimulating curriculum, enabling every student to develop to his or her full potential;
- to ensure the educational opportunities we provide prepare students to make a significant contribution to the communities in which they live;
- to ensure our actions and words show our commitment to raising the self-esteem of everyone who learns and works within the Trust;
- to demonstrate respect, tolerance, openness, honesty and Trust in our relationships with one another;
- to develop close links with our community;
- to conduct our business in accordance with the highest standards of integrity, probity and openness.

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

Governors other than the Executive Headteacher and Headteachers are in office for a period of four years.

Nominations for Parent Governors are sought from the parents and carers of students within the Stratton Education Trust member schools. Should nominations for the vacancies be equal to the number of vacancies, the nominees will be deemed to be elected. In the event there are more nominees than vacancies, an election will be held with all parents/carers eligible to vote.

Nominations for Staff Governors are sought from the staff of Stratton Education Trust member schools. Should nominations for the vacancies, be equal to the number of vacancies the nominees will be deemed to be elected. In the event there are more nominees than vacancies, an election will be held with all staff eligible to vote.

Trust Governors are appointed by the Governing Body.

#### Policies and Procedures adopted for the Induction and Training of Governors and Trustees

The training and induction provided for new Governors and Trustees depends on their existing experience. Induction tends to be informal and is tailored specifically to the individual. Training requirements are subject to on-going review.

Governors are provided with an Induction Pack which includes:

- A Guide to the Law for School Governors;
- Academies Financial Handbook;
- Stratton Education Trust Gifts and Hospitality Policy;
- Whistleblowing Policy.

Governor training is undertaken at Developmental meetings and has included:

- Safeguarding;
- Whole Trust Improvement Plan;
- Use of Education data to promote Trust improvement;
- Exclusions Training.

## **Organisational Structure**

The Trustees and Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Trust performance and making major decisions about the strategic direction of the schools' capital expenditure and senior staff appointments.

The Senior Leadership Team of the Trust consists of the Executive Headteacher, Deputy Headteachers, Assistant Headteachers (one of whom is "Head of College", the most senior appointment at Gamlingay Village College) and a non-teaching Business Manager. These 14 Posts constitute the Trust's Senior Leadership Team. Two colleagues are based solely at Gamlingay Village College whilst eight are at Stratton Upper School. The remaining four, including the Executive Headteacher, have roles that span both schools.

The Senior Leadership team are responsible for the professional leadership of the Governors' strategic intent through developing and implementing the policies laid down by the Governors and reporting back to them. A middle management tier of leadership includes Heads of Faculty, Heads of Departments and pastoral leaders. Some spending control is devolved to members of the middle leadership team.

The aim of the leadership structure is to encourage involvement in decision making at all levels through promoting accountability, responsibility and professional autonomy in the performance of leaders duties in support of the Governors strategic intent.

## **Risk Management**

The major risks to which the Academy Trust is exposed, as identified by the Audit & Risk Committee of Governors, have been reviewed, and systems have been established to manage those risks.

## **Statement on the System of Internal Financial Controls**

The Trustees and Governors have overall responsibility for ensuring the Trust has an effective and appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure the financial statements comply with the Companies Act. The Trustees and Governors also acknowledge responsibility for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Trust is operating efficiently and effectively
- its assets are safeguarded for unauthorised use or disposition
- proper records are maintained and financial information used within the Trust or for publication is reliable
- the Trust complies with relevant laws and regulations

The Trusts system of internal control is based on a framework of regular management information and administration 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 Governors
- regular reviews of the Governors of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing guidelines

- delegation of authority and segregation of duties
- identification and management of risks

The role of Responsible Officer is undertaken by a firm of accountants appointed as internal auditors.

The Governors are satisfied that systems and procedures are in place to mitigate the exposure to major risks.

### **Connected Organisations**

Stratton Education Trust is an outward facing organisation that seeks to play a full role in sharing and learning from good and excellent practice.

Our connected organisations include:

- The Biggleswade Community of Schools (BCUS) an association of all education providers in our area dedicated to developing seamless education provision from 0-19;
- Central Bedfordshire Upper School Heads Group;
- Central Bedfordshire Teaching School;
- The Academy of Central Bedfordshire, an alternative provision free school established by the Central Bedfordshire Upper School Heads;
- Cambridge University Department of Education;
- Cambridge Secondary Heads Association;
- Stratton Learning Partnership, our own organisation dedicated to providing bespoke professional development to approximately 20 local schools who subscribe.

### **Objectives and Activities**

#### Object and Aims

The principal object and activity of the charitable company is to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

The main objectives of the Trust are summarised below:

- to raise the standard of educational achievement for all pupils and students;
- to provide a safe and welcoming environment and a stimulating curriculum which enables every student to develop his or her full potential;
- to ensure the educational opportunities we provide prepare students to make a significant contribution to the communities in which they live;
- to ensure our actions and words show our commitment to raising the self-esteem of everyone who learns and works within the Trust;
- to demonstrate respect, tolerance and openness, honesty and trust in our relationships with one another;
- develop close links with our community;
- to conduct our business in accordance with the highest standards of integrity, probity and openness.

### Object, Strategies and Activities

The overall priorities for the Trust were identified in the "Whole Trust Improvement Plan". This document is closely aligned to the fulfilment of the Trusts objectives. Within the document differing priorities emerge at a school level which takes into account the varying circumstances that can exist between institutions particularly when serving different age ranges.

At Stratton Upper School the key objectives were to:

- sustain the improvement in Mathematics teaching that was a feature of 2011/12;
- sustain the improvement in Sixth Form outcomes across the curriculum;
- arrest and reverse the decline in Key Stage 4 English outcomes.

Strategies included:

- the introduction of a rigorous and focused mechanism to assess teachers' performance combined with a range of training activities designed to promote improvement. The training activities were tailored to the individual needs of the teacher helping them to progress to the next level of professional success;
- a review of monitoring arrangements for student progress;
- intervention programmes designed to address student underperformance;
- a whole school focus on developing the notion of "behaviour for learning" throughout the community of Stratton.

At Gamlingay Village College the key objectives were to:

- continue our relentless drive to raise standards of the teaching of literacy and numeracy particularly at Key stage 2;
- embed the newly introduced curriculum model with its emphasis on different pedagogical methods applied at Key Stage 2 and Key Stage 3.

The Trust prepared and consulted on a number of detailed policies and guidelines to further develop good practice. These were adopted formally from 1<sup>st</sup> September 2013, though they reflect emerging good practice that was developed during the reporting period.

- Assessment and Marking
- Performance Management
- Pay Policy

### Activities in the Community

We have continued to build successful relationships with our community. We host some adult learning provision and successfully let our sports centre out to clubs and other hirers. Sports Centre lettings proved especially successful with over 50 regular hirers. This meant that the facility ran at close to full capacity and generated sufficient income to support significant redevelopment of the area including new lighting.

Produce from Stratton Upper School Farm was sold on a weekly basis throughout the year though our two peak areas for activity are the Spring Open Day (with its focus on plant sales) and Christmas Turkeys. The value of the Farm is an essential part of our community and curriculum remains as strong as ever.

Many of our regular community activities continued through the year including our active Interact Club, Operation Christmas Child and contributions to key national events such as Children in Need.

Stratton Upper School produced the school's edition of "Les Miserables" which played to sell-out audiences over four nights. At Gamlingay Village College an equally ambitious production of "The Pirates of Penzance" also played to packed houses. In both cases pupils and students relished the opportunity to test themselves and exceed all expectations of what was thought possible.

### Public Benefit

The Trustees have had regard to the Charity Commission's public benefit guidance, by providing education to the pupils within our schools.

The Trust believes that schools should be at the heart of their community. In addition to the Farm both schools have sports facilities which are open to the public for use outside of school hours.

### **Achievements and Performance**

The academic year 2012/13 was a year of ground work, raised expectations among staff, pupils and students and established routines and practices that will raise student performance.

At Stratton Upper School the twin focus of improving behaviour and engagement whilst also focusing on developing Teaching and Learning practice, supported improvements demonstrated by a declining trend in fixed and permanent exclusions and reported incidents of disturbances to lessons.

The programme of monitoring and improving Teaching and Learning (highlighted earlier in this report) showed an increase from 48% good or better teaching in October 2012 to 67% in April.

Stratton's overall attainment in English showed improvement, but not at the level that had been anticipated. This led to smaller than anticipated growth in the key measure of 5 A\* - C including English and Maths.

During this reporting period Stratton Upper was inspected by Ofsted. In a fair report the inspectors found the school to "require improvement". This was in line with our own analysis when we measured the school against the challenging 2012 Ofsted framework. The inspectors noted that the measures in place to take the school forward were appropriate but had not yet had time to have impact. They described the school as on "a well-planned journey of improvement" and that student behaviour and Sixth Form exam outcomes already met the criteria to be judged "good".

At Gamlingay Village College similar improvements to monitored lessons indicated that teaching judged good or better rose from 55% to 72% over the course of the year.

### **Key Stage 2**

Students achieving level 4+ in English = 89% (above national average)

Students achieving level 4+ in Maths = 67% (broadly in line with national average)

Students achieving level 4+ in both English and Maths = 67% (broadly in line with national average)

These results represented a significant move forward with regard to English though this was not replicated in Maths. The English results were particularly pleasing as they were subject to a routine but rigorous monitoring process instigated by the Local Authority.

## **Key Stage 4**

Students achieving 5 A\* - C grades with English and Maths = 52%

Our 2012/13 Year 11 were a broadly average intake and achieved broadly average results at GCSE. Progress in Maths and English represented strengthening outcomes with both attaining just above the national average.

## **Key Stage 5**

At A2 we were pleased to note that the previous year's record-breaking outcome of more than 45% of students gaining A\* - B grades was sustained.

We are also pleased to note that 93% of our students moving to higher education were successful in gaining their first choice placement. A higher proportion of students from our Sixth Form attend Russell Group universities, compared to the national level.

Our Year 12 students who completed their AS level qualifications attained results placing them in the top 10% for 6TH Form providers (ALPS) A significant factor was that this year group benefited from the change to our curriculum that was implemented from 2012. The changes included revisions to the amount of teacher time given to subjects at both GCSE and AS level. The impact on other year groups will not be demonstrated until the end of the academic year 2013/14.

We remain a popular choice for students at of all ages. Although our catchment is currently in the midst of a demographic dip, Stratton Upper School is over 97% full compared to its published admission number in all year groups. This does pose issues as due to the further growth in the Sixth Form student numbers, we regularly exceed the overall capacity of the campus.

Similar issues pertain at Gamlingay Village College where a dip in pupil numbers has been at least partially mitigated by an increase of families choosing Gamlingay Village College from out of catchment areas.

The curriculum review at both Gamlingay and Stratton has been highlighted elsewhere in this report but it should be noted that the period covered includes the final implementation of our new curriculum which began on 1<sup>st</sup> September 2013.

The Trust continues to enjoy strong relationships with the Connolly Foundation. We are particularly grateful for the support they have shown to students in the Sixth Form. Without their intervention the students would not have been able to play a full part in a range of trips and activities designed to enhance their A-level studies.

We host satellite classes at Stratton Upper School from the local special school, Ivel Valley. The presence of this facility is of benefit both to the students of Ivel Valley and those at Stratton Upper School.

## **Going Concern**

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

## **Financial Review**

Most of the Trust's income is obtained from the Education Funding Agency (EFA), in the form of recurrent grants, the use of which is restricted to specific purposes. The grants received from the EFA during the period ended 31st August 2013, and the associated expenditure, are shown as restricted funds in the statement of financial activities. The Trust also receives grants for fixed assets and capital programmes from the EFA. Such grants are shown in the statement of financial affairs as restricted income in the fixed asset fund.

## **Principal Risks and Uncertainties**

The revisions to school funding continue to cause concern, as both schools operate within local authorities that have traditionally received significantly less funding than average.

Thanks to the work of the leadership team at Gamlingay Village College much has been done to restore the confidence of the community in that school. This has been achieved at a time when difficult decisions have been made with regard to staffing both to raise the level of performance and to make it sustainable within the confines of the budget.

Stratton continues to work closely with the Local Authority to provide up to 400 additional school places needed due to development within the town of Biggleswade. The proposed timeframe by which the required expansion of the school will take place has been moved to completion by September 2016. The overall contribution the local authority intends making towards the scheme has been raised from £6 million to £8.4 million.

## **Reserves Policy**

The Trustees review the reserves levels of the Trust at least annually, with termly reviews by the Finance and Premises Committee. The review encompasses the nature of income and expenditure streams, the need to match income with commitments, and the nature of reserves.

The Trustees consider that reserves should be set at a level that ensures that the Trust can forecast a balanced budget over a three year period, with 3% of the forecast income in the third year as reserves at the end of that year. This will allow sufficient flexibility to enable three year planning of curriculum changes and other medium term programmes to be included without endangering the working capital of the Trust.

## **Investment Policy**

The Finance and Premises Committee aims to manage the cash balances of the Trust to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Finance and Premises Committee aims to invest surplus cash funds to optimise returns but ensuring that the investment instruments are such that there is an absolute minimum risk to the loss of these cash funds.

### **Plans for Future Periods**

The Trust has developed extensive plans to drive its objectives forward in the academic year 2013/14. This "Whole Trust Improvement Plan" is available on either the Stratton Upper School or Gamlingay Village College websites.

The proposed expansion of Stratton Upper School remains focused around developing science provision, as that is an area of weakness in the school's resource.

At the heart of all our plans are the needs of our community. We believe that these needs are best served by education provision that focuses on the achievement of valued qualifications and the acquisition of skills that will support successful adulthood. We are fortunate to enjoy a high degree of support from our pupils, students, families, staff and Governors. Our need is to harness the energy to build outstanding educational provision across the Trust.

### **Auditor**

In so far as the Governors are aware:

There is no relevant audit information of which the charitable company's auditor is unaware; and

The Governors have taken all steps that they ought to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the members of the Governing Body on 20<sup>th</sup> January 2014 and signed on its behalf by:

***Mrs M Russell***  
[Chairman of Governors]

## **Governance Statement**

### **Scope of Responsibility**

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

The Governing Body has delegated the day-to-day responsibility to the Executive Headteacher, as Accounting Officer for ensuring financial controls conform with the requirements for both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Stratton Education Trust and the Secretary of State for Education. He is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

### **Governance**

The information on governance included here supplements that described in the Governors' Report and in the Statement of Trustees responsibilities.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a 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.

### **Capacity to Handle Risk**

The Governing Body regularly reviews the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period ended 31st August 2013 and up to the date of approval of the annual report and financial statements.

### **Risk and Control Framework**

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

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

During the accounting period, the Governing Body has formed an Audit & Risk Committee which meets each term and appointed Duncan & Toplis as Internal Auditors/Responsible Officer for the Trust.

The Full Governing Body has formally met 6 times during the period and there have been 13 committee meetings. Attendance during the year at meetings of the Governing Body was as follows:

|   | Attendance at Meetings |                    |                     |                  |              |
|---|------------------------|--------------------|---------------------|------------------|--------------|
|   | Full Board             | Finance & Premises | Teaching & Learning | Staff & Students | Audit & Risk |
| <b><u>Finance &amp; Premises Committee</u></b>                  |                        |                    |                     |                  |              |
| Mr James Booth (Trust) Chairman                                 | 6                      | 3                  |                     |                  |              |
| Mr Jim Tan (Parent) Vice Chairman                               | 6                      | 2                  | 2                   |                  |              |
| Mr Colin Pheysey (Staff, ex officio)                            | 6                      | 4                  | 3                   | 3                | 1            |
| Mrs Madeline Russell (Trust)                                    | 6                      | 3                  | 3                   | 3                | 1            |
| Mr Robert Watson *(Staff, ex officio)                           | 6                      | 4                  | 3                   | 3                | 2            |
| Mrs Irene Gray (Staff)  | 3                      | 4                  |                     |                  |              |
| Mr Eddie Kane (Parent)  | 6                      | 3                  |                     |                  |              |
| Mr Alan Rix (Parent)  | 5                      | 2                  |                     |                  | 2            |
| Mr Christopher Smith (Trust)                                    | 2                      | 3                  | 1                   | 2                | 2            |
| Mr Peter Ward (Staff)   | 6                      | 4                  |                     |                  |              |
|   |                        |                    |                     |                  |              |
| <b><u>Staff &amp; Students Committee</u></b>                    |                        |                    |                     |                  |              |
| Mr Andrew Field (Trust) Chairman and Vice Chairman Audit & Risk | 5                      |                    |                     | 3                | 2            |
| Mrs Terri Bruce (Parent) Elected November 2012                  | 2                      |                    |                     |                  |              |
| Mr Peter Woodward (Trust) Vice Chairman – Deceased January 2013 | 1                      |                    |                     |                  |              |
| Mrs Rosalind Hodges (Staff)                                     | 6                      |                    |                     | 2                |              |
| Mrs Hazel Ramsay (Trust)  | 4                      |                    | 3                   | 3                |              |
| Mr Bernard Rix (Trust)  | 5                      |                    |                     | 1                |              |
| Mrs Claire Twydell (Parent)                                     | 5                      |                    |                     | 3                |              |

| <b><u>Teaching &amp; Learning Committee</u></b>                                |   |   |   |   |    |
|--|---|---|---|---|----|
| Mr Ian Bond (Trust) Chairman   | 4 |   | 3 |   |    |
| Mrs Amanda Brown (Staff)   | 5 |   | 3 |   |    |
| Mr Tudor Fox (Parent)  | 3 |   | 1 |   |    |
| Mrs Anna Osborne (Staff)   | 3 |   | 2 |   |    |
| Mrs Christina Ward (Trust)   | 4 |   | 3 |   |    |
| Mr Richard Westergreen-Thorne (Co-opted)                                       | 6 |   | 3 |   | 2` |
|  |   |   |   |   |    |
| <b><u>Audit &amp; Risk Committee</u></b>                                       |   |   |   |   |    |
| Mr Nigel Lillywhite (Parent) Chairman and Vice Chairman of Teaching & Learning | 6 | 4 | 3 | 3 | 2  |
| Mr Richard Westergreen-Thorne Also a member of Teaching & Learning             |   |   |   |   |    |
| Mr Andrew Field also Chairman of Staff & Students                              |   |   |   |   |    |
| Mr Christopher Smith also member of Finance & Premises                         |   |   |   |   |    |

### **Review of Effectiveness**

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

- The work of the external auditor
- The work of the Internal Auditor/Responsible Officer
- 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 above reviews of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Governing Body

on 20<sup>th</sup> January 2014 and signed on its behalf by:

**Madeline Russell**  
Chairman of Governors

**Robert Watson**  
Accounting Officer

## **Statement on Regularity, Propriety and Compliance**

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

I confirm that I and the Academy 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 terms and conditions of funding under the Academy Trust's Funding Agreement and the Academies Financial Handbook.

On this occasion I note that two material contracts have been let without due tendering process and as such a material irregularity has occurred.

Both contracts relate to the early stages of a proposed building project. This building project was proposed by the Local Authority and required a quick response by ourselves. This led to a degree of haste in order for the Trust to attempt to work to the initial timescale of the Authority.

Approval was sought from the Governing Body on both occasions and both were regarded as exceptional circumstances. The Governors recognise that should similar circumstances re-occur approval of the EFA should be sought in advance.

As required I have notified the EFA of this irregularity.

***Robert Watson***  
Accounting Officer

Date: 30<sup>th</sup> January 2014

## Statement of Trustees' Responsibilities

The Trustees (who act as Trustees for charitable activities of Stratton Education Trust (and are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 apply them consistently
- Observe the methods and principles in the Charities Statement of Recommended Practice
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The Trustees are responsible for keeping adequate financial records that are sufficient to show and explain the group's and the parent Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent 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 group and the parent Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

The Trustees are responsible for ensuring that in its conduct and operation the group and the parent Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

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

Approved by order of the Trustees on 20<sup>th</sup> January 2014 and signed on their behalf by:

***Madeline Russell***

Chairman of Trustees.

## **Independent Reporting Accountant's Assurance Report on Regularity to Stratton Education Trust and the Education Funding Agency**

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

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

### **Respective responsibilities of Stratton Education Trust's accounting officer and the reporting accountant**

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

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

### **Approach**

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

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

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

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

*(continued)*

## **Conclusion**

As described in the Accounting Officer's Statement on Regularity, Propriety and Compliance on page 17, the Trust did not comply with its obligations under regularity in respect of two contracts.

Except for the matters above nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### ***B Jefferd FCA CTA (Senior Statutory Auditor)***

for and on behalf of George Hay Partnership LLP  
Chartered Accountants  
and Statutory Auditor  
St George's House  
George Street  
Huntingdon  
Cambridgeshire  
PE29 3GH

Date: 31<sup>st</sup> January 2014

## **Independent Auditor's Report to the members of Stratton Education Trust**

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

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

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Governors' Responsibilities set out on page 14, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

(Continued)

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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

### ***B Jefferd FCA CTA (Senior Statutory Auditor)***

for and on behalf of George Hay Partnership LLP  
Chartered Accountants  
and Statutory Auditor  
St George's House  
George Street  
Huntingdon  
Cambridgeshire  
PE29 3GH

Date: 31<sup>st</sup> January 2014

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

|   | Note | Unrestricted<br>Funds<br>£ | Restricted<br>General<br>Funds<br>£ | Restricted<br>Fixed<br>Asset<br>Funds<br>£ | Total<br>2013<br>£ | Total<br>Period<br>2.2.2012 to<br>31.8.2012<br>£ |
|---|------|----------------------------|-------------------------------------|--|--------------------|--|
| <b>Incoming resources</b>                                   |      |                            |                                     |  |                    |  |
| <i>Incoming resources from generated funds:</i>             |      |                            |                                     |  |                    |  |
| Voluntary income  | 3    | 5,152                      | 14,414                              | 132,999                                    | 152,565            | 147,863  |
| Transfer from local authority on conversion                 |      | -                          | -                                   | -  | -                  | 8,858,719  |
| Activities for generating funds                             | 4    | 474,023                    | -                                   | -  | 474,023            | 217,552  |
| Investment income   | 5    | 1,595                      | -                                   | -  | 1,595              | 625  |
| <i>Incoming resources from charitable activities:</i>       |      |                            |                                     |  |                    |  |
| Funding for the Academy's educational operations            | 6    | -                          | 8,175,054                           | -  | 8,175,054          | 4,819,632  |
| <b>Total incoming resources</b>                             |      | <b>480,770</b>             | <b>8,189,468</b>                    | <b>132,999</b>                             | <b>8,803,237</b>   | <b>14,044,391</b>                                |
| <b>Resources expended</b>                                   |      |                            |                                     |  |                    |  |
| <i>Cost of generating funds:</i>                            |      |                            |                                     |  |                    |  |
| Fundraising trading   | 7    | 422,377                    | -                                   | -  | 422,377            | 200,595  |
| <i>Charitable activities:</i>                               |      |                            |                                     |  |                    |  |
| Academy's educational operations                            | 8    | -                          | 7,886,554                           | 128,813                                    | 8,015,367          | 4,609,369  |
| Governance costs  | 9    | -                          | 169,411                             | -  | 169,411            | 204,954  |
| <b>Total resources expended</b>                             | 7    | <b>422,377</b>             | <b>8,055,965</b>                    | <b>128,813</b>                             | <b>8,607,155</b>   | <b>5,014,918</b>                                 |
| <b>Net incoming/(outgoing) resources before transfers</b>   |      |                            |                                     |  |                    |  |
|   |      | 58,393                     | 133,503                             | 4,186                                      | 196,082            | 9,029,473  |
| Gross transfers between funds                               | 17   | -                          | (114,286)                           | 114,286                                    | -                  | -  |
| <b>Net income/(expenditure) for the year</b>                |      | <b>58,393</b>              | <b>19,217</b>                       | <b>118,472</b>                             | <b>196,082</b>     | <b>9,029,473</b>                                 |
| <b>Other recognised gains and losses</b>                    |      |                            |                                     |  |                    |  |
| Actuarial (losses)/gains on defined benefit pension schemes | 25   | -                          | 2,000                               | -  | 2,000              | (7,000)  |
| <b>Net movement in funds</b>                                |      | <b>58,393</b>              | <b>21,217</b>                       | <b>118,472</b>                             | <b>198,082</b>     | <b>9,022,473</b>                                 |
| <b>Reconciliation of funds</b>                              |      |                            |                                     |  |                    |  |
| Total Funds brought forward at 1 September 2012             | 17   | 595,213                    | (908,795)                           | 9,336,055                                  | 9,022,473          |  |
| <b>Funds carried forward at 31 August 2013</b>              |      | <b>653,606</b>             | <b>(887,578)</b>                    | <b>9,454,527</b>                           | <b>9,220,555</b>   | <b>9,022,473</b>                                 |

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

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

As at 31 August 2013 the Governors have earmarked £500,000 of the unrestricted reserves to a Building Fund, as explained on Page 12 of the Governors' Report.

## Consolidated Balance sheet as at 31 August 2013

|   | Notes | 2013<br>£   | 2013<br>£   | 2012<br>£   | 2012<br>£   |
|---|-------|-------------|-------------|-------------|-------------|
| <b>Fixed assets</b>                                   |       |             |             |             |             |
| Tangible assets                                       | 13    |             | 9,437,556   |             | 9,295,961   |
| <b>Current assets</b>                                 |       |             |             |             |             |
| Stock   | 14    | 34,542      |             | 32,973      |             |
| Debtors   | 15    | 307,999     |             | 325,571     |             |
| Cash at bank and in hand                              |       | 997,779     |             | 916,227     |             |
|   |       | 1,340,320   |             | 1,274,771   |             |
| <b>Creditors: Amounts falling due within one year</b> | 16    | (434,321)   |             | (448,259)   |             |
| <b>Net current assets</b>                             |       |             | 905,999     | 826,512     |             |
| Total assets less current liabilities                 |       |             | 10,343,555  | 10,122,473  |             |
| <b>Net assets excluding pension liability</b>         |       |             | 10,343,555  | 10,122,473  |             |
| Pension scheme liability                              | 25    | (1,123,000) |             | (1,100,000) |             |
| <b>Net assets including pension liability</b>         |       |             | 9,220,555   | 9,022,473   |             |
| <b>Funds of the academy:</b>                          |       |             |             |             |             |
| <b>Restricted funds</b>                               |       |             |             |             |             |
| Fixed asset fund(s)                                   | 17    |             | 9,454,527   |             | 9,336,055   |
| General fund(s)                                       | 17    |             | 235,422     |             | 191,205     |
| Pension reserve                                       | 17    |             | (1,123,000) |             | (1,100,000) |
| <b>Total restricted funds</b>                         |       |             | 8,566,949   | 8,427,260   |             |
| <b>Unrestricted funds</b>                             | 17    |             | 653,606     |             | 595,213     |
| <b>Total funds</b>                                    |       |             | 9,220,555   | 9,022,473   |             |

The financial statements were approved by the Governors, and authorised for issue on 20<sup>th</sup> January 2014 and are signed on their behalf by:

***Mrs M Russell***  
Chairman of Trustees

Company Limited by Guarantee  
Registration Number 07798627

## Company Balance sheet as at 31 August 2013

|   | Notes | 2013<br>£ | 2013<br>£   | 2012<br>£ | 2012<br>£   |
|---|-------|-----------|-------------|-----------|-------------|
| <b>Fixed assets</b>                                   |       |           |             |           |             |
| Tangible assets                                       | 13    | 9,437,558 |             | 9,295,961 |             |
| Investments   | 26    | 100       |             | -         |             |
|   |       |           | 9,437,658   |           | 9,295,961   |
| <b>Current assets</b>                                 |       |           |             |           |             |
| Stock   | 14    | 34,542    |             | 32,973    |             |
| Debtors   | 15    | 383,682   |             | 325,571   |             |
| Cash at bank and in hand                              |       | 918,809   |             | 916,227   |             |
|   |       | 1,337,033 |             | 1,274,771 |             |
| <b>Creditors:</b> Amounts falling due within one year | 16    | (431,137) |             | (448,259) |             |
| <b>Net current assets</b>                             |       |           | 905,896     |           | 826,512     |
| Total assets less current liabilities                 |       |           | 10,343,554  |           | 10,122,473  |
| <b>Net assets excluding pension liability</b>         |       |           |             |           |             |
| Pension scheme liability                              | 25    |           | (1,123,000) |           | (1,100,000) |
| <b>Net assets including pension liability</b>         |       |           | 9,220,554   |           | 9,022,473   |
| <b>Funds of the academy:</b>                          |       |           |             |           |             |
| <b>Restricted funds</b>                               |       |           |             |           |             |
| Fixed asset fund(s)                                   |       |           | 9,454,529   |           | 9,336,055   |
| General fund(s)                                       |       |           | 235,420     |           | 191,205     |
| Pension reserve                                       |       |           | (1,123,000) |           | (1,100,000) |
| <b>Total restricted funds</b>                         |       |           | 8,566,949   |           | 8,427,260   |
| <b>Unrestricted funds</b>                             |       |           | 653,605     |           | 595,213     |
| <b>Total funds</b>                                    |       |           | 9,220,554   |           | 9,022,473   |

The financial statements were approved by the Governors, and authorised for issue on 20<sup>th</sup> January 2014 and are signed on their behalf by:

***Mrs M Russell***  
Chairman of Trustees

Company Limited by Guarantee  
Registration Number 07798627

## Consolidated Cash Flow Statement for the period ended 31 August 2013

|   | Notes | 2013<br>£ | Total<br>Period<br>2.2.2012<br>to<br>31.8.2012<br>£ |
|---|-------|-----------|---|
| <b>Net cash inflow from operating activities</b>                | 21    | 217,367   | 483,335   |
| Returns on investments and servicing of finance                 | 22    | 1,595     | 625   |
| Capital expenditure   | 23    | (137,410) | (57,072)  |
| Cash transferred on conversion to an academy trust              | 27    | -         | 489,339   |
| <b>(Decrease)/Increase in cash in the year</b>                  | 24    | 81,552    | 916,227   |
| <b>Reconciliation of net cash flow to movement in net funds</b> |       |           |   |
| Net cash at 1 September 2012                                    |       | 916,227   | -   |
| <b>Net cash at 31 August 2013</b>                               |       | 997,779   | 916,227   |

## **Notes to the Financial Statements for the year ended 31 August 2013.**

### **1. Statement of Accounting Policies**

#### **Basis of Preparation**

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

#### **Going Concern**

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

#### **Incoming Resources.**

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

#### **Grants Receivable.**

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

Fixed Asset grants are shown in the statements of financial activities as restricted fixed asset funds.

Grants which have specific performance conditions are included in the Statement of Financial Activities where there is a reasonable level of certainty that the performance conditions have been met.

#### **Donations**

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

#### **Other Income**

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

#### **Donated services and gifts in kind**

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

### **Resources expended.**

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

### **Costs of generating funds**

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

### **Charitable activities**

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

### **Governance Costs**

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

All resources are inclusive of irrecoverable VAT.

### **Tangible Fixed Assets**

Assets costing £2,000 or more are capitalised as fixed assets and are carried at cost, net of depreciation and any provision for impairment. In certain cases, individual items acquired with a unit cost of less than £2,000 but an aggregate cost of £2,000 or more are aggregated for the purposes of capitalisation. Examples would include an entire classroom refurbishment, ICT equipment purchased as part of the school plan to ensure ICT resources are of a standard equivalent to that generally available and relevant to the curriculum.

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

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

|                                |              |
|--------------------------------|--------------|
| Freehold Land & Buildings      | Not provided |
| Leashold Land & Buildings      | 125 years    |
| Fixtures, Fittings & Equipment | 10 years     |
| ICT Equipment                  | 5 years      |

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

### **Leased Assets**

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

### **Stocks**

Unsold uniforms, catering and stationery stocks are valued at the lower of cost or net realisable value.

## **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 2 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.

## **Investments**

The academy's shareholding in the wholly owned subsidiary, Stratton Trust Leisure Limited, is included in the balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

## **Basis of Consolidation**

The financial statements represent the position and performance of Stratton Education Trust and its wholly owned subsidiary, Stratton Trust Leisure Ltd.

## **Pensions Benefits**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings Related Pension Scheme ('SERPS'), and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is substantially a level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

## **Fund Accounting**

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

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

Restricted general funds comprise all other restricted funds received and include grants from the EFA and/or DfE.

## **2. General Annual Grant**

Under the funding agreement with the Secretary of State the academy trust was subject to limits at 31 August 2013 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

No academies within the trust exceeded the limits during the year ended 31 August 2013.

## **3. Voluntary Income Group**

|                | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total<br/>2013<br/>£</b> | <b>Total<br/>Period<br/>2.2.2012<br/>to<br/>31.8.2012<br/>£</b> |
|----------------|-------------------------------------|-----------------------------------|-----------------------------|---|
| Capital Grants | -                                   | 132,999                           | 132,999                     | 127,477   |
| Donations      | 5,152                               | 14,414                            | 19,566                      | 20,386  |
|                | <u>5,152</u>                        | <u>147,413</u>                    | <u>152,565</u>              | <u>147,863</u>  |

## **4. Activities for generating funds Group**

|                                | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total<br/>2013<br/>£</b> | <b>Total<br/>Period<br/>2.2.12<br/>to<br/>31.8.12<br/>£</b> |
|--------------------------------|-------------------------------------|-----------------------------------|-----------------------------|---|
| Fundraising events             | 20,090                              | -                                 | 20,090                      | 4,352   |
| Uniform and other sales income | 38,966                              | -                                 | 38,966                      | 30,985  |
| Hire of Facilities             | 71,344                              | -                                 | 71,344                      | 34,853  |
| Catering Income                | 185,349                             | -                                 | 185,349                     | 80,646  |
| Farm Income                    | 31,286                              | -                                 | 31,286                      | 26,731  |
| Trip Income                    | 126,988                             | -                                 | 126,988                     | 39,985  |
|                                | <u>474,023</u>                      | <u>-</u>                          | <u>474,023</u>              | <u>217,552</u>  |

## **5. Investment Income Group**

|                     | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total<br/>2013<br/>£</b> | <b>Total<br/>Period<br/>2.2.12<br/>to<br/>31.8.12<br/>£</b> |
|---------------------|-------------------------------------|-----------------------------------|-----------------------------|---|
| Short term deposits | 1,595                               | -                                 | 1,595                       | 625   |
|                     | <u>1,595</u>                        | <u>-</u>                          | <u>1,595</u>                | <u>625</u>  |

**6. Funding for trust's educational operations Group**

|                                    | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total<br>2013<br>£ | Total<br>Period<br>2.2.2012<br>to<br>31.8.2012<br>£ |
|------------------------------------|----------------------------|--------------------------|--------------------|---|
| <b>DfE/EFA revenue grants</b>      |                            |                          |                    |   |
| General Annual Grant (GAG)(note 2) | -                          | 7,834,315                | 7,834,315          | 4,498,944   |
| Start Up Grants                    | -                          | -                        | -                  | 90,000  |
| Other DfE/EFA grants               | -                          | 130,273                  | 130,273            | 97,750  |
|                                    | <u>-</u>                   | <u>7,964,588</u>         | <u>7,964,588</u>   | <u>4,686,694</u>                                    |
| <b>Other Government grants</b>     |                            |                          |                    |   |
| Local authority grants             | -                          | 210,466                  | 210,466            | 132,938   |
|                                    | <u>-</u>                   | <u>210,466</u>           | <u>210,466</u>     | <u>132,938</u>                                      |
|                                    | <u>-</u>                   | <u>8,175,054</u>         | <u>8,175,054</u>   | <u>4,819,632</u>                                    |

**7. Resources expended Group**

|  | Non Pay Expenditure |                |                     | Total<br>2013<br>£ | Total<br>Period<br>2.2.12 to<br>31.8.12<br>£ |
|--|---------------------|----------------|---------------------|--------------------|--|
|  | Staff<br>Costs<br>£ | Premises<br>£  | Other<br>Costs<br>£ |                    |  |
| <b>Cost of activities for generating funds</b> |                     |                |                     |                    |  |
| Direct costs                                   | 101,486             | -              | 294,510             | 395,996            | 185,744                                      |
| Allocated support costs                        | 9,087               | 14,771         | 2,523               | 26,381             | 14,851                                       |
|  | <u>110,573</u>      | <u>14,771</u>  | <u>297,033</u>      | <u>422,377</u>     | <u>200,595</u>                               |
| <b>Academy's educational operations</b>        |                     |                |                     |                    |  |
| Direct costs                                   | 5,766,020           | 63,663         | 638,401             | 6,468,084          | 3,783,233                                    |
| Allocated support costs                        | 841,846             | 424,244        | 281,193             | 1,547,283          | 826,136                                      |
|  | <u>6,607,866</u>    | <u>487,907</u> | <u>919,594</u>      | <u>8,015,367</u>   | <u>4,609,369</u>                             |
| <b>Governance costs</b>                        |                     |                |                     |                    |  |
| Direct costs                                   | 92,802              | -              | 31,900              | 124,702            | 164,471                                      |
| Allocated support costs                        | 5,554               | 2,347          | 36,808              | 44,709             | 40,483                                       |
|  | <u>98,356</u>       | <u>2,347</u>   | <u>68,708</u>       | <u>169,411</u>     | <u>204,954</u>                               |
|  | <u>6,816,795</u>    | <u>505,025</u> | <u>1,285,335</u>    | <u>8,607,155</u>   | <u>5,014,918</u>                             |

The method used for the apportionment of support costs is disclosed in the accounting policies.

|   |             |             |
|---|-------------|-------------|
| <b>Outgoing resources for the year include:</b> | <b>2013</b> | <b>2012</b> |
|   | <b>£</b>    | <b>£</b>    |
| Operating leases                                | 44,786      | 17,392      |
| Fees payable to auditors                        |             |             |
| Audit   | 19,500      | 8,300       |
| Other services                                  | 8,900       | 8,700       |

### **8. Charitable Activities- Trust's educational operations Group**

|  | <b>Unrestricted Funds</b> | <b>Restricted Funds</b> | <b>Total 2013</b> | <b>Total Period 2.2.12 to 31.8.12</b> |
|--|---------------------------|-------------------------|-------------------|---------------------------------------|
|  | <b>£</b>                  | <b>£</b>                | <b>£</b>          | <b>£</b>                              |
| <b><i>Direct costs</i></b>                   |                           |                         |                   |                                       |
| Teaching and educational support staff costs | -                         | 5,766,020               | 5,766,020         | 3,313,081                             |
| Depreciation                                 | -                         | 128,812                 | 128,812           | 81,349                                |
| Educational supplies                         | -                         | 164,413                 | 164,413           | 55,380                                |
| Examination fees                             | -                         | 195,869                 | 195,869           | 144,389                               |
| Educational consultancy                      | -                         | 16,746                  | 16,746            | 49,165                                |
| Maintenance of equipment                     | -                         | 89,410                  | 89,410            | 36,393                                |
| Other direct costs                           | -                         | 106,814                 | 106,814           | 103,476                               |
|  | -                         | <u>6,468,084</u>        | <u>6,468,084</u>  | <u>3,783,233</u>                      |
| <b><i>Allocation supported costs</i></b>     |                           |                         |                   |                                       |
| Support staff costs                          | -                         | 841,846                 | 841,846           | 440,787                               |
| Maintenance of premises and equipment        | -                         | 177,667                 | 177,667           | 130,953                               |
| Rent & rates                                 | -                         | 87,635                  | 87,635            | 34,535                                |
| Insurance                                    | -                         | 69,208                  | 69,208            | 47,110                                |
| Light and Heat                               | -                         | 158,942                 | 158,942           | 79,666                                |
| Catering                                     | -                         | 13,754                  | 13,754            | 7,581                                 |
| Staff Development                            | -                         | 55,862                  | 55,862            | 35,825                                |
| Other support costs                          | -                         | 142,369                 | 142,369           | 49,679                                |
|  | -                         | <u>1,547,283</u>        | <u>1,547,283</u>  | <u>826,136</u>                        |

### **9. Governance Costs Group**

|  | <b>Unrestricted Funds</b> | <b>Restricted Funds</b> | <b>Total 2013</b> | <b>Total Period 2.2.12 to 31.8.12</b> |
|--|---------------------------|-------------------------|-------------------|---------------------------------------|
|  | <b>£</b>                  | <b>£</b>                | <b>£</b>          | <b>£</b>                              |
| Legal and professional fees                | -                         | 25,866                  | 25,866            | 84,833                                |
| Auditor's remuneration                     |                           |                         |                   |                                       |
| • Audit of financial statements            | -                         | 19,500                  | 19,500            | 8,300                                 |
| • Accountancy, taxation and other services | -                         | 8,900                   | 8,900             | 8,700                                 |
| Support staff costs                        | -                         | 98,356                  | 98,356            | 85,855                                |
| Other Support Costs                        | -                         | 16,789                  | 16,789            | 17,266                                |
|  | -                         | <u>169,411</u>          | <u>169,411</u>    | <u>204,954</u>                        |

**10. Staff Costs Group**

|                                     | 2013<br>£        | Period<br>2.2.12 to<br>31.8.12<br>£ |
|-------------------------------------|------------------|-------------------------------------|
| Staff costs during the period were: |                  |                                     |
| Wages and salaries                  | 5,592,057        | 3,140,376                           |
| Social security costs               | 380,877          | 292,054                             |
| Pension costs                       | 830,661          | 473,983                             |
|                                     | <u>6,803,595</u> | <u>3,906,413</u>                    |
| Compensation payments               | 13,200           | 23,000                              |
|                                     | <u>6,816,795</u> | <u>3,929,413</u>                    |

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

|                              | 2013<br>Number | 2013<br>Full-time<br>equivalent | 2012<br>Number | 2012<br>Full-time<br>equivalent |
|------------------------------|----------------|---------------------------------|----------------|---------------------------------|
| <b>Charitable Activities</b> |                |                                 |                |                                 |
| Teachers                     | 97             | 90                              | 100            | 91                              |
| Administration and support   | 151            | 79                              | 152            | 79                              |
| Management                   | 10             | 10                              | 10             | 10                              |
|                              | <u>258</u>     | <u>179</u>                      | <u>262</u>     | <u>180</u>                      |

The number of employees who were paid at the following annualised rates of pay, were:

|                    | 2013     | 2012     |
|--------------------|----------|----------|
| £60,001 - £70,000  | 2        | -        |
| £70,001 - £80,000  | -        | -        |
| £80,001 - £90,000  | -        | -        |
| £90,001 - £100,000 | -        | 1        |
| £100,000+          | 1        | -        |
|                    | <u>3</u> | <u>1</u> |

The above employees participated in the Teacher's Pension Scheme. During the year ended 31 August 2013, pension contributions for the employee amounted to £18,000.

**11. Trustees remuneration and expenses**

The Head Teacher and staff governors only receive remuneration in respect of services they provide undertaking the roles of Head Teacher and staff and not in respect of their services as governors. Other governors did not receive any payments from the academy in respect of their role as governors.

The value of Trustees remuneration for the year to 31 August 2013 was as follows:

Executive Head Teacher: £100,028.

## **12. Governors and Officers' Insurance**

In accordance with normal commercial practice the trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions whilst on trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ending 31 August 2013 was £1,360.

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

## **13. Tangible Fixed Assets.**

### **Group and Company**

|                        | Freehold<br>Land and<br>Buildings<br>£ | Leasehold<br>Land and<br>Buildings<br>£ | Furniture<br>and<br>Equipment<br>£ | Computer<br>Equipment<br>£ | Assets<br>Under<br>Construction<br>£ | <b>Total<br/>£</b>      |
|------------------------|--|---|------------------------------------|----------------------------|--------------------------------------|-------------------------|
| <b>Cost</b>            |  |   |                                    |                            |                                      |                         |
| At 1 September 2012    | 1,194,901                              | 7,807,014                               | 87,638                             | 213,075                    | 78,848                               | <b>9,381,476</b>        |
| Additions              | -                                      | 13,655                                  | 31,247                             | 53,311                     | 172,195                              | <b>270,408</b>          |
| Disposals              | -                                      | -                                       | -                                  | -                          | -                                    | -                       |
| Transfer               | -                                      | 41,186                                  | 89,074                             | -                          | (130,260)                            | -                       |
| At 31 August 2013      | <u>1,194,901</u>                       | <u>7,861,855</u>                        | <u>207,959</u>                     | <u>266,386</u>             | <u>120,783</u>                       | <b><u>9,651,884</u></b> |
| <b>Depreciation</b>    |  |   |                                    |                            |                                      |                         |
| At 1 September 2012    | -                                      | 36,433                                  | 7,423                              | 41,659                     | -                                    | <b>85,515</b>           |
| Charged in year        | -                                      | 63,663                                  | 20,198                             | 44,952                     | -                                    | <b>128,813</b>          |
| Disposals              | -                                      | -                                       | -                                  | -                          | -                                    | -                       |
| At 31 August 2013      | <u>-</u>                               | <u>100,096</u>                          | <u>27,621</u>                      | <u>86,611</u>              | <u>-</u>                             | <b><u>214,328</u></b>   |
| <b>Net book values</b> |  |   |                                    |                            |                                      |                         |
| At 31 August 2013      | <u>1,194,901</u>                       | <u>7,761,759</u>                        | <u>180,338</u>                     | <u>179,775</u>             | <u>120,783</u>                       | <b><u>9,437,556</u></b> |
| At 31 August 2012      | <u>1,194,901</u>                       | <u>7,770,581</u>                        | <u>80,215</u>                      | <u>171,416</u>             | <u>78,848</u>                        | <b><u>9,295,961</u></b> |

## **14. Stock**

### **Group and Company**

|                    | <b>2013<br/>£</b> | <b>2012<br/>£</b> |
|--------------------|-------------------|-------------------|
| Uniform            | 15,448            | 19,895            |
| Catering           | 7,015             | 3,265             |
| Stationery & Other | 12,079            | 9,813             |
| Total              | <u>34,542</u>     | <u>32,973</u>     |

## **15. Debtors**

|               | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---------------|-------------------|-------------------|-------------------|-------------------|
|               | <b>2013<br/>£</b> | <b>2012<br/>£</b> | <b>2013<br/>£</b> | <b>2012<br/>£</b> |
| Trade Debtors | 7,790             | 31,053            | 1,005             | 31,053            |
| Other Debtors | 205,723           | 198,209           | 288,191           | 198,209           |
| Prepayments   | 94,486            | 96,309            | 94,486            | 96,309            |
| Total         | <u>307,999</u>    | <u>325,571</u>    | <u>383,682</u>    | <u>325,571</u>    |

**16. Creditors: amounts falling due within one year**

|                            | <b>Group</b>   |                | <b>Company</b> |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | <b>2013</b>    | <b>2012</b>    | <b>2013</b>    | <b>2012</b>    |
|                            | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| Trade Creditors            | 274,063        | 222,087        | 270,879        | 222,087        |
| Other Creditors            | 9,131          | 5,491          | 9,131          | 5,491          |
| Accruals & deferred income | 151,127        | 220,681        | 151,127        | 220,681        |
| Total                      | <u>434,321</u> | <u>448,259</u> | <u>431,137</u> | <u>448,259</u> |

**Deferred income  
Group and company**

|                                      | <b>2013</b>     |
|--------------------------------------|-----------------|
|                                      | <b>£</b>        |
| Deferred Income at 1 September 2012  | 68,899          |
| Resources deferred in the year       | 43,303          |
| Amounts released from previous years | <u>(68,899)</u> |
| Deferred Income at 31 August 2013    | <u>43,303</u>   |

At the balance sheet date the academy trust was holding funds received in advance for:

- School trips due to take place in the 2013/14 Academic year.
- Insurance and rates funding.

## 17. Funds

|   | Balance at 1<br>September<br>2012<br>£ | Incoming<br>Resources<br>£ | Resources<br>Expended<br>£ | Gains,<br>Losses and<br>Transfers<br>£ | Balance at<br>31 August<br>2013<br>£ |
|---|--|----------------------------|----------------------------|--|--------------------------------------|
| <b>Restricted general funds</b>             |  |                            |                            |  |                                      |
| General Annual Grant (GAG)                  |  |                            |                            |  |                                      |
| Stratton Upper School                       | 159,279                                | 6,944,744                  | 6,817,863                  | (89,286)                               | 196,874                              |
| Gamlingay Village College                   | -                                      | 889,571                    | 868,923                    | -                                      | 20,648                               |
| Start Up Grant                              | -                                      |                            |                            |  |                                      |
| Other Government Grants                     | 10,967                                 | 210,466                    | 221,133                    | -                                      | 300                                  |
| Other DfE/EFA grants                        | 16,959                                 | 130,273                    | 137,632                    | -                                      | 9,600                                |
| Restricted Donations                        | 4,000                                  | 14,414                     | 10,414                     | -                                      | 8,000                                |
|   | 191,205                                | 8,189,468                  | 8,055,965                  | (89,286)                               | 235,422                              |
| Pension reserve                             | (1,100,000)                            | -                          | -                          | (23,000)                               | (1,123,000)                          |
|   | (908,795)                              | 8,189,468                  | 8,055,965                  | (112,286)                              | (887,578)                            |
| <b>Restricted fixed asset funds</b>         |  |                            |                            |  |                                      |
| Transfer from Local Authority on conversion | 9,146,012                              | -                          | 102,606                    | -                                      | 9,043,406                            |
| DfE/EFA capital grants                      | 48,370                                 | 104,799                    | 13,907                     | -                                      | 139,262                              |
| Capital expenditure from GAG                | 65,494                                 |                            | 11,202                     | 114,286                                | 168,578                              |
| Other government capital grants             | 76,179                                 | 28,200                     | 1,098                      | -                                      | 103,281                              |
|   | 9,336,055                              | 132,999                    | 128,813                    | 114,286                                | 9,454,527                            |
| <b>Total restricted funds</b>               | <b>8,427,260</b>                       | <b>8,322,467</b>           | <b>8,184,778</b>           | <b>2,000</b>                           | <b>8,566,949</b>                     |
| <b>Unrestricted funds</b>                   |  |                            |                            |  |                                      |
| General                                     | 95,213                                 | 480,770                    | 422,377                    | -                                      | 153,606                              |
| Building Fund                               | 500,000                                | -                          | -                          | -                                      | 500,000                              |
|   | 595,213                                | 480,770                    | 422,377                    | -                                      | 653,606                              |
| <b>Total funds</b>                          | <b>9,022,473</b>                       | <b>8,803,237</b>           | <b>8,607,155</b>           | <b>2,000</b>                           | <b>9,220,555</b>                     |

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

Included within Other DfE/EFA Grants under Restricted general funds is £19,000 received from the EFA in respect of 16-19 Bursary Funding. The fund is to provide bursaries to disadvantaged students aged 16-19. £6,000 was brought forward as unspent from previous year's funding in this respect. At the period end £9,500 of the funding received was still held and will be applied within the restrictions in the new academic year. Also included in this fund is £37,800 worth of grants from the Bedfordshire Schools' Training Partnership on behalf of the NCTL a department of the DfE. The grants are in respect of trainee teacher salaries and have been spent in full within the restrictions in the period.

Also included within Other DfE/EFA Grants under Restricted general funds is £18,500 receivable from the EFA in respect of funding for the preparation and audit of Trust accounts for the year ended 31<sup>st</sup> March 2013 requested as part of a pilot scheme by the National Audit Office and DfE.

The Other Government Grants under Restricted general funds includes £200,000 of SEN Funding provided by the schools' respective Local Authorities. The funding is granted to the school for the purpose of providing additional support for students who have a statement of educational needs. Funds are expended on Learning Support Assistants, equipment and any other needs, in accordance with the statement, to ensure that the student can access the curriculum. All funding received was expended in the period in accordance with the purposes for which the grant was intended.

As at 31 August 2013 the Governors have earmarked £500,000 of the unrestricted reserves to a Building Fund.

Also included in Other Government Grants was £6,000 from the Local Authority brought forward as unspent from last year in respect of Intervention Funding. The funding was restricted to be spent on additional teaching and/or resources to enable students to access the curriculum and achieve to the best of their ability. In the year the school provided booster sessions and one to one teaching and mentoring for relevant pupils and expended the amount brought forward in its entirety.

In Restricted Fixed Asset Funds, DfE/EFA Capital Grants includes an £74,240 Capital Maintenance Grant from the EFA applied for the implementation of new boilers on the Stratton Upper School premises. The amount received and amounts received last year and brought forward as unspent, of £18,560, was expended on a new boilers and associated materials and labour for the sports block.

Other Government Capital Grants includes £8,000 brought forward from Central Bedfordshire Council in respect of Invest to Save Lighting funding towards a project of lighting upgrades at Stratton Upper School. The amount in its entirety was expended on the project in the year.

Also included in Other Government Capital Grants was £28,000 from the Central Bedfordshire Council School Access fund towards the farm pathway works. All of this funding was spent prior to the balance sheet date.

Under the funding agreement with the Secretary of State, the academy was subject to a limit on the amount of GAG that it could carry forward at 31 August 2013. Note 2 discloses whether the limit was exceeded.

## **18. Analysis of net assets between funds**

Fund balances at 31 August 2013 are represented by:

|                          | <b>Unrestricted<br/>Funds</b> | <b>Restricted<br/>General<br/>Funds</b> | <b>Restricted<br/>Fixed<br/>Asset<br/>Funds</b> | <b>Total<br/>Funds</b> |
|--------------------------|-------------------------------|---|---|------------------------|
| Tangible fixed assets    | -                             | -                                       | 9,437,556                                       | 9,437,556              |
| Current assets           | 700,167                       | 623,182                                 | 16,971  | 1,340,320              |
| Current liabilities      | (46,561)                      | (387,760)                               | -   | (434,321)              |
| Pension scheme liability | -                             | (1,123,000)                             | -   | (1,123,000)            |
| <b>Total net assets</b>  | <b>653,606</b>                | <b>(887,578)</b>                        | <b>9,454,527</b>                                | <b>9,220,555</b>       |

## Analysis of academies fund balance

Fund balances as at 31 August 2013 were allocated as follows:

|   |                         |
|---|-------------------------|
|   | <b>Total<br/>£</b>      |
| Stratton Upper School                         | 30,949                  |
| Gamlingay Village College                     | 858,079                 |
| Total before fixed assets and pension reserve | <u>889,028</u>          |
| Restricted fixed asset fund                   | 9,454,527               |
| Pension reserve                               | (1,123,000)             |
| <b>Total</b>                                  | <u><b>9,220,555</b></u> |

## Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

|                           | Teaching<br>and<br>Educational<br>Support<br>Staff Costs<br>£ | Other<br>Support<br>Staff Costs<br>£ | Educational<br>Supplies<br>£ | Other Costs<br>(excluding<br>Depreciation)<br>£ | Total<br>£       |
|---------------------------|---|--------------------------------------|------------------------------|---|------------------|
| Stratton Upper School     | 5,092,375   | 858,514                              | 152,388                      | 1,311,253                                       | 7,414,530        |
| Gamlingay Village College | 673,645   | 192,261                              | 12,025                       | 185,881   | 1,063,812        |
|                           | <u>5,766,020</u>  | <u>1,050,775</u>                     | <u>164,413</u>               | <u>1,497,134</u>                                | <u>8,478,342</u> |

## Central Services

The Trust does not provide any services centrally, where services are provided from one member academy, the cost is calculated on a cost only basis using for example time apportionment.

## 19. Member's liability

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

## **20. Financial commitments**

### ***Operating leases***

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

|  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| <b>Land and buildings</b>                    |             |             |
| Expiring within one year                     | -           | -           |
| Expiring within two and five years inclusive | -           | -           |
| Expiring in over five years                  | -           | -           |
|  | <hr/>       | <hr/>       |
|  | -           | -           |
| <b>Other</b>                                 |             |             |
| Expiring within one year                     | 6,667       | 6,667       |
| Expiring within two and five years inclusive | 17,789      | 38,119      |
| Expiring in over five years                  | -           | -           |
|  | <hr/>       | <hr/>       |
|  | 24,456      | 44,786      |

## **21. Reconciliation of net income to net cash inflow from operating activities**

|   | <b>2013</b>    | <b>Period</b>    |
|---|----------------|------------------|
|   | <b>£</b>       | <b>2.2.12 to</b> |
|   |                | <b>31.8.12</b>   |
|   |                | <b>£</b>         |
| Net income  | 196,082        | 9,029,473        |
| Depreciation (note 13)  | 128,813        | 85,515           |
| Capital grants from DfE/EFA and other capital income (Note 3) | (132,999)      | (127,477)        |
| Transfer from Local Authority                                 | -              | (8,858,719)      |
| Interest receivable (note 5)                                  | (1,595)        | (625)            |
| FRS 17 pension cost less contributions payable (note 25)      | (17,000)       | (11,000)         |
| FRS 17 pension finance income (note 25)                       | 42,000         | 24,000           |
| (Increase)/decrease in stocks                                 | (1,570)        | 28,112           |
| (Increase)/decrease in debtors                                | 17,574         | (47,095)         |
| Increase/(decrease) in creditors                              | (13,938)       | 361,151          |
|   | <hr/>          | <hr/>            |
| <b>Net cash inflow from operating activities</b>              | <b>217,367</b> | <b>483,335</b>   |

## **22. Returns on investments and servicing of finance**

|  | <b>2013</b>  | <b>Period</b>    |
|--|--------------|------------------|
|  | <b>£</b>     | <b>2.2.12 to</b> |
|  |              | <b>31.8.12</b>   |
|  |              | <b>£</b>         |
| Interest received  | 1,595        | 625              |
|  | <hr/>        | <hr/>            |
| <b>Net cash inflow from returns on investment and servicing of finance</b> | <b>1,595</b> | <b>625</b>       |

### **23. Capital expenditure and financial investment**

|   | <b>2013</b>      | <b>Period</b>    |
|---|------------------|------------------|
|   | <b>£</b>         | <b>2.2.12 to</b> |
|   |                  | <b>31.8.12</b>   |
|   |                  | <b>£</b>         |
| Purchase of tangible fixed assets   | (270,409)        | (184,549)        |
| Capital grants from DfE/YPLA/EFA  | 132,999          | 127,477          |
| <b>Net cash outflow from capital expenditure and financial investment</b> | <b>(137,410)</b> | <b>(57,072)</b>  |

### **24. Analysis of changes in net funds**

|                          | At             | Cash flows    | At 31          |
|--------------------------|----------------|---------------|----------------|
|                          | 1 September    |               | August         |
|                          | 2012           |               | 2013           |
|                          | £              | £             | £              |
| Cash in hand and at bank | <u>916,227</u> | <u>81,552</u> | <u>997,779</u> |
|                          | <u>916,227</u> | <u>81,552</u> | <u>997,779</u> |

### **25. Pensions and similar obligations**

The 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 Bedford Borough Council. Both are defined benefit schemes.

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

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

#### **Teachers' Pension Scheme**

##### **Introduction**

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

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

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

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

### **Valuation of the Teachers' Pension Scheme**

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

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

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

### **Teachers' Pension Scheme Changes**

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the

Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis.

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

### Local Government Pension Scheme

The academy is one of several employing bodies included within the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The total contribution made for the period ended 31 August 2013 was £315,000, of which employer's contributions totalled £249,000 and employees' contributions totalled £66,000. The agreed contribution rates for future years are 23.9% for employers and a variable rate, depending on salary levels, for employees.

### Principal Actuarial Assumptions

|  | <b>At 31<br/>August<br/>2013</b> | <b>At 31<br/>August<br/>2012</b> |
|--|----------------------------------|----------------------------------|
| Rate of increase in salaries                                     | 5.1%                             | 4.5%                             |
| Rate of increase for pensions in payment / inflation             | 2.8%                             | 2.2%                             |
| Discount rate for scheme liabilities                             | 4.6%                             | 4.1%                             |
| Inflation assumption (CPI)                                       | 2.9%                             | 2.1%                             |
| Commutation of pensions to lump sums for pre-April 2008 Service  | 50%                              | 50%                              |
| Commutation of pensions to lump sums for post-April 2008 Service | 75%                              | 75%                              |

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

|                             | <b>At 31<br/>August<br/>2013</b> | <b>At 31<br/>August<br/>2012</b> |
|-----------------------------|----------------------------------|----------------------------------|
| <i>Retiring today</i>       |                                  |                                  |
| Males                       | 21.6                             | 21.6                             |
| Females                     | 23.2                             | 23.2                             |
| <br>                        |                                  |                                  |
| <i>Retiring in 20 years</i> |                                  |                                  |
| Males                       | 23.6                             | 23.6                             |
| Females                     | 25.6                             | 25.6                             |

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

|  | <b>Expected<br/>return at 31<br/>August<br/>2013</b> | <b>Fair value<br/>at 31<br/>August<br/>2013<br/>£</b> | <b>Expected<br/>return at<br/>31<br/>August<br/>2012</b> | <b>Fair value<br/>at 31<br/>August<br/>2012<br/>£</b> |
|--|--|---|--|---|
| Equities                               | 6.6%   | 975,000   | 5.5%   | 502,000   |
| Bonds                                  | 4.0%   | 264,000   | 3.5%   | 164,000   |
| Property                               | 4.7%   | 111,000   | 3.7%   | 87,000  |
| Cash                                   | 3.6%   | 42,000  | 2.8%   | 213,000   |
| <b>Total market value of assets</b>    |  | <u>1,392,000</u>                                      |  | <u>966,000</u>  |
| Present value of scheme liabilities    |  |   |  |   |
| - Funded                               |  | 2,515,000   |  | 2,066,000   |
| <b>Surplus/(deficit) in the scheme</b> |  | <u>(1,123,000)</u>                                    |  | <u>(1,100,000)</u>                                    |

The rates of return have been determined based on the long-term future expected investment return for each asset class as at the beginning of the period, 1<sup>st</sup> September 2012.

The actual return on scheme assets was £111,000 (2012:£13,000).

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

|  | <b>2013<br/>£</b> | <b>2012<br/>£</b> |
|--|-------------------|-------------------|
| Current service cost (net of employee contributions) | 232,000           | 139,000           |
| Past service cost                                    | -                 | -                 |
| <b>Total operating charge</b>                        | <u>232,000</u>    | <u>139,000</u>    |
| <b>Analysis of pension finance income / (costs)</b>  |                   |                   |
| Expected return on pension scheme assets             | 49,000            | 25,000            |
| Interest on pension liabilities                      | (91,000)          | (49,000)          |
| <b>Pension finance income / (costs)</b>              | <u>(42,000)</u>   | <u>(24,000)</u>   |

The actual gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £5,000 loss (2012:£7,000 loss).

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

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| <b>At 1 September</b>                       | 2,066,000        | -                |
| Transfer from local authority on conversion | -                | 1,842,000        |
| Current service cost                        | 232,000          | 139,000          |
| Past service cost                           | -                | -                |
| Interest cost                               | 91,000           | 49,000           |
| Employee contributions                      | 66,000           | 40,000           |
| Actuarial (gain)/loss                       | 60,000           | (4,000)          |
| Curtailments and settlements                | -                | -                |
| Benefits paid                               | -                | -                |
| <b>At 31 August</b>                         | <u>2,515,000</u> | <u>2,066,000</u> |

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

|   | <b>2013</b>      | <b>2012</b>    |
|---|------------------|----------------|
|   | <b>£</b>         | <b>£</b>       |
| <b>At 1 September</b>                       | 966,000          | -              |
| Transfer from local authority on conversion | -                | 762,000        |
| Expected return on assets                   | 49,000           | 25,000         |
| Actuarial gain/(loss)                       | 62,000           | (11,000)       |
| Employer contributions                      | 249,000          | 150,000        |
| Employee contributions                      | 66,000           | 40,000         |
| Assets distributed on settlements           | -                | -              |
| Transfer in of new members                  | -                | -              |
| Benefits paid                               | -                | -              |
| <b>At 31 August</b>                         | <u>1,392,000</u> | <u>966,000</u> |

The estimated value of employer contributions for the year ending 31 August 2014 is £283,000.

**The history of experience adjustments is as follows:**

|   | <b>2013</b>        | <b>2012</b>        |
|---|--------------------|--------------------|
|   | <b>£</b>           | <b>£</b>           |
| <b>Present value of defined benefit obligations</b>     | (2,515,000)        | (2,066,000)        |
| <b>Fair value of share of scheme assets</b>             | 1,392,000          | 966,000            |
| <b>Surplus/(Deficit) in the scheme</b>                  | <u>(1,123,000)</u> | <u>(1,100,000)</u> |
| <b>Experience adjustments on share of scheme assets</b> | <u>62,000</u>      | <u>(11,000)</u>    |
| <b>Experience adjustments on scheme liabilities:</b>    | <u>-</u>           | <u>-</u>           |

## **26. Fixed Asset Investments**

|                       | Shares in<br>group<br>undertakings<br>£ |
|-----------------------|---|
| <b>MARKET VALUE</b>   |   |
| Additions             | <u>100</u>                              |
| <b>NET BOOK VALUE</b> |   |
| At 31 August 2013     | <u><u>100</u></u>                       |
| At 31 August 2012     | <u><u>-</u></u>                         |

There were no investment assets outside the UK.

The company's investments at the balance sheet date in the share capital of companies include the following:

Stratton Trust Leisure Limited  
:  
Nature of business: Facility hire and lettings

|                 |                |
|-----------------|----------------|
| Class of share: | %              |
| Ordinary        | holding<br>100 |

|                                | 2013            | 2012            |
|--------------------------------|-----------------|-----------------|
|                                | £               | £               |
| Aggregate capital and reserves | 100             | -               |
| Profit for the period/year     | <u><u>-</u></u> | <u><u>-</u></u> |

## **27. Profit of Parent Company**

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's surplus for the financial year was £198,082 (2012: £9,022,472), the entire profits of the group. The directors of the subsidiary agreed to make a gift aid donation of £28,121 to the parent company to reduce its profit for the financial period to £nil.

## **28. Related Party Transactions**

There were no material transactions with any related parties in the period.