

Borden Grammar School Trust
(A company limited by guarantee)

Annual Report and Financial Statements

For the year ended 31 August 2019

Borden Grammar School Trust
(A company limited by guarantee)

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**Reference and administrative details of the academy, its trustees and advisers
for the year ended 31 August 2019**

Members	Mr P Bromwich Mrs B Casbolt (resigned 30 September 2018) Mr G Wetherell Mrs Y Herbert Mrs H Hendry Ms V Meacham
Trustees	Mr G Wetherell, Chair of Trustees (resigned as Chair 11 October 2019) Mrs B Casbolt (resigned 30 September 2018) Mr C Browne Mr C Easton Mrs H Hendry Mrs Y Herbert Mr T Hewett, Staff Trustee Mrs Brooker, Staff Trustee Mr J Hopkins, Headteacher and Accounting Officer, Ex-Officio Mrs S Mendoza (appointed as Chair of Trustees 11 October 2019) Ms V Meacham Mrs M Johnson Mrs E Carter, Staff Trustee Mr M Stewart (resigned 8 February 2019) Mr D Watkin Mr M Bailey Mr G Franks (appointed 1 October 2018)
Company registered number	07827591
Company name	Borden Grammar School Trust
Principal and registered office	Avenue of Remembrance Sittingbourne Kent ME10 4DB
Company secretary	Julie Argent
Senior management team	Jonathan Hopkins, Headteacher Garry Mulligan, Deputy Headteacher Richard Artingstoll, Assistant Headteacher Chris Brinn, Assistant Headteacher Sue Smith, Assistant Headteacher Julie Argent, Bursar
Bankers	Natwest Bank PLC 2nd Floor, County Gate 2 Staceys Street, Maidstone Kent. ME14 1ST
Auditors	UHY Kent LLP trading as UHY Hacker Young Thames House Roman Square Sittingbourne Kent ME10 4BJ
Solicitors	Ford Little Solicitors 14 Park Road Sittingbourne Kent ME10 1DR

Borden Grammar School Trust
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Trustees' report
For the year ended 31 August 2019

The trustees present their annual report together with the financial statements and auditors' report of the academy trust for the year ended 31 August 2019. The annual report serves the purpose of both a trustees' report and a directors' report for the purposes of company law.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust was incorporated on 28 October 2011 as a company limited by guarantee and an exempt charity. The academy trust's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees act as the directors of the academy trust for the purposes of company law.

Details of the trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

Members' liability

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

Trustees' indemnities

The academy trust maintains trustees and officers' liability insurance which gives appropriate cover for any legal action brought against its trustees. The academy trust has also granted indemnities to each of its trustees and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the period and remain in force, in relation to certain losses and liabilities which the trustees or other officers may incur to third parties in the course of acting as trustees or officers of the academy trust.

Details of the insurance cover are provided in note 10 to the financial statements.

Principal activities

The academy trust took over the operation of Borden Grammar School on the school's conversion to academy status on 1 January 2012. Since then the academy trust's principal object and activity has been to manage the school's provision of education to pupils between the ages of 11 and 18. The school has a pupil capacity of 850 and had a roll of 840 in the school census on (date) 2019.

Method of recruitment and appointment or election of trustees

Under the terms of its Articles, the academy trust shall have the following trustees:

- Up to sixteen trustees, appointed by the members;
- Up to one LA trustee, appointed by the LA;
- Any staff trustees, provided that the number of trustees who are employees of the academy trust does not exceed one third of the total number of trustees;
- A minimum of two parent trustees, elected by the parents of registered pupils at the academy;
- The Headteacher;
- Any additional trustees, appointed by the Secretary of State as he thinks fit;
- Any further trustees, appointed by the Secretary of State as he thinks fit.

A trustee's term of office is four years (excluding the Headteacher) but a trustee is eligible for re-election subject to remaining eligible to be a particular type of trustee.

The trustees shall each school year, at their first meeting in that year, elect a chairman and a vice-chairman from among their number. A trustee who is employed by the academy trust shall not be eligible for election as chairman or vice-chairman.

The trustees who were in office at 31 August 2019 and served throughout the year, except where shown, are listed on page 1.

Policies and procedures adopted for the induction and training of trustees

During the year under review the Full Board of Trustees met five times and there were seventeen committee meetings. The training and induction provided for new trustees will depend on their existing experience. Where necessary induction will provide training on charity and educational legal and financial matters. All new trustees will be given a tour of the academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As changes to the board of trustees are infrequent induction tends to be done informally and is tailored specifically to the individual.

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Organisation structure

The organisational structure consists of three levels: the trustees/directors, the Senior Leadership Team and the Middle Management Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy by the use of budgets and making major decisions about the direction of the academy, capital expenditure and senior staff appointments.

The Senior Leadership Team comprises the Headteacher, one Deputy Headteacher, three Assistant Headteachers and a Bursar. These managers control the academy at an executive level implementing the policies laid down by the trustees and reporting back to them. As a group the Senior Leadership Team are responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment boards for posts in the Senior Leadership Team always contain at least one trustee. Some spending control is devolved to members of the Middle Management Team.

The Middle Management Team includes Head of Department, Pastoral and Learning Leaders (Heads of Year) and the Additional Educational Needs Co-ordinator. Along with the Senior Leadership Team these managers are responsible for the day to day operation of the academy, in particular organising the teaching staff, facilities and students.

Arrangements for setting pay and remuneration of key management personnel

Details of the arrangements for setting the academy's pay and remuneration are set out in the school policies for firstly Pay, and secondly Appraisal. These policies detail the procedures for applying to go through threshold and/or pay progression, which is not automatic. The processes apply equally to the leadership group, teaching staff and support staff.

Trade union facility time

i) Relevant union officials

<u>Number of employees who were relevant union officials during the year</u>	<u>Full time equivalent employee number (as union officials)</u>
2	2

ii) Percentage of time spent on facility time

<u>Percentage of time</u>	<u>Number of employees</u>
0%	1
1%-50%	1
51%-99%	-
100%	-

iii) Percentage of pay bill spent on facility time

Total cost of facility time	£1,108
Total pay bill	£3,203,769
Percentage of the total pay bill spent on facility time	0.03%

iv) Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	-
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Risk management

The trustees have assessed the major risks to which the academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the academy, and its finances. The trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The academy has an effective system of internal financial controls and this is explained in more detail in the following statement.

Connected organisations, including related parties

Borden Grammar School Voluntary Fund is a separately registered charity, registration no 1098112. Its principal objects are the provision of items, services and facilities for the school by the making of grants to the school and individuals.

Borden Sport Limited is a non-profit making company limited by guarantee, registration number 03859564. It provides sporting facilities for the school and the local community. Some of the trustees of the academy are directors of Borden Sport Limited.

The land on which sports pitches and a clubhouse are situated is leased by Borden Grammar School Trust to Borden Sport Limited. The Borden Grammar School Trust referred to here is a separate trust which happens to have the same name as the academy trust, and this trust holds the freehold interest in the main school site, subject to the academy's trust's rights to occupation. It also occasionally provides funds to the school for the payment of scholarships, prizes and other matters.

There is also a Parents & Friends Association, also established as a separately registered charity, registration number 800823, which organises various fundraising events to provide facilities for the pupils of Borden Grammar School.

The trustees have concluded that none of the above entities are under the control of the academy trust.

OBJECTIVES AND ACTIVITIES

Objects and aims

The academy trust took over the operation of Borden Grammar School on the school's conversion to academy status on 1 January 2012. Since then the academy trust's principal object and activity has been to manage the school's provision of education to pupils between the ages of 11 and 18.

Objective, strategies and activities

The main objectives of the academy trust during the year ended 31 August 2019 are summarised below:

- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- to raise the standard of educational achievement of all pupils;
- to improve the effectiveness of the academy by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to conduct the academy's business in accordance with the highest standards of integrity, probity and openness.

The academy trust's main strategy is encompassed in its mission statement which is to provide a challenging, inspiring and caring environment which encourages our students to achieve their personal aspirations in academic, sporting and cultural spheres and enables them to thrive socially and academically.

To this end the activities provided include:

- tuition and learning opportunities for all students to attain appropriate academic qualifications;
- training opportunities for all staff, and especially teaching staff;
- a programme of sporting and after school leisure activities for all students;
- a system of after school clubs and some weekend activities; and
- a careers advisory service to help students obtain employment or move on to higher education.

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Public benefit

Borden Grammar School is a state funded Grammar School and strives to promote and support the advancement of education within the Swale area. The school provides an extensive programme of educational and recreational activity - all designed to contribute to the overall education of our students in areas such as academic distinction, music, the arts and sport.

Wherever possible the school also aims to contribute to the benefit of the wider public, through the provision of incidental educational and other activities. The students and staff are regularly involved in charitable activities, such as sponsored events and fundraising events and some profit made from school productions is donated to a charity agreed upon by the students via the School Council. Over the year the contributions that benefit the local community included the following:

- Curriculum support to Primary Schools via Middle Leader support and the Aim Higher Club;
- Regular letting of sports facilities to organisations such as Park Tavern FC;
- Regular letting of school facilities to 5th Sittingbourne Scout Group and The Dog Training Company;
- Ad hoc letting of facilities to organisations for fundraising events;
- Letting of facilities for annual events organised by Sittingbourne Scout Group;
- Letting to the Parents and Friends Association for their annual events ie Quiz

The trustees have considered the impact of the public benefit requirement including the guidance issued by the Charity Commission and confirm compliance with this duty through the above, together with the provision of education which the trustees is demonstrably to the public benefit.

STRATEGIC REPORT

Achievements and performance

The trustees were pleased with the main academic achievement in the period, which can be summarised as follows:

- 86% of GCSE students achieved 5 or more 9-4 / A *-C grades inc. English & Mathematics at grade 4;
- 94% of GCSE students achieved a standard pass in English (grade 4);
- 97% of GCSE students achieved a standard pass in Maths (grade 4);
- 79% of GCSE students achieved a strong pass in English (grade 5);
- 77% of GCSE students achieved a strong pass in Maths (grade 5);
- 19 students out of 117 who took examinations gained 8 or more grade 7-9's;
- 26% of GCSE grades were at grades 7-9 or A*/A;
- 44% of students achieved the EBacc standard pass;
- 99% of Year 13 achieved two A Level passes or more;
- 43% of Year 13 achieved A*-B grades in their Level 3 qualifications;
- The average grade at A level was a C grade.

Going concern

After making appropriate enquiries, the trustees have 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.

Key financial performance indicators

The trustees consider that the following are key performance indicators for the academy:

- Percentage of income received from ESFA spent on teaching staff;
- Percentage of income received from ESFA spent on total staff costs;
- Percentage of staff costs over total revenue expenditure;
- Pupils numbers (leading directly to ESFA funding level); and
- General financial stability - aim for income to match or exceed expenditure each year.

The trustees ensure sound financial management is achieved by regularly reviewing the academy's budget position and comparing academy results with available benchmarking data. They are satisfied that results for all key performance indicators listed have been as expected during the period.

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Key financial performance indicators - continued

In recent years Borden has improved its financial position and general financial stability by attracting stronger student numbers into the school in both year 7 and year 12. Significantly the overall size of the school since the current Headteacher was appointed has increased from 770 in 2013 to 840 in 2018. Of particular interest for the long term viability of the school is the growth in numbers of students entering the school in Year 7 as they are likely to be a Borden student for 5-7 years. The current KS3 is full in Years 7-9 and for the school had a waiting list for the academic year 2019-20 for the second year in a row. In part this reflects the fact that Ofsted has twice judged the school to be "Good" in November 2013 & 2016 respectively. In addition the school benefits from a strong reputation in the local community due to the professionalism of staff, the conduct of students and support from the parent body alike.

FINANCIAL REVIEW

Most of the academy trust's recurrent income is obtained from the ESFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2019 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities ("SoFA"). Core grant income has been supplemented by capital funding, and also other income such as catering, and 6th Form partnership income. Total income for the year was £4.16m up slightly on £4.02m in the previous year.

The increase in income is largely attributable to:

- a £36k increase on core General Annual Grant funding;
- a £49k rise in Other DfE/ESFA grants which includes the new teachers' pay grant (£44k); and
- the DfE one-off 'additional' capital funding grant for 2018-19 of £47k.

The incoming resources for the year have not been sufficient to cover total resources expended of £4.41m, resulting in net expenditure for the year of £249k (2018: £232k), as shown on the SoFA. The overall net movement in funds, after actuarial movements on the Local Government defined benefit pension scheme ("LGPS"), was a reduction of £524k (2018: increase of £81k). It is important to note that this overall movement in funds does not reflect the meaningful operational result and includes movements that do not relate to day-to-day running of the academy.

Excluding movements on tangible fixed assets and the LGPS defined benefit pension liability the trust's operational surplus on revenue funds for the year was £25k (2018: £67k surplus), as reconciled from the SoFA below:

		2019 (£000s)	2018 (£000s)
Overall net movement in funds for the year per SoFA		(524)	81
<u>Add:</u>			
Decrease / (increase) attributable to fixed asset fund	See A	132	171
LGPS actuarial (gain)/loss	See B	275	(313)
LGPS service and interest costs	See B	142	128
Operational surplus /(deficit) on revenue funds		25	67

(A) The movement on restricted fixed asset funds comprises capital grant income received during the year less depreciation charged on capitalised assets purchased from such funds, notably the school buildings. Since these do not relate to day-to-day operational matters the movement on fixed asset funds is excluded from the operational result.

(B) The Balance Sheet carries the trust's share of the deficit on the Local Government Pension Scheme. A detailed report has been prepared by an actuary detailing the movement in the deficit during the year. The movement is in two parts: (1) the actuarial gain relates to movement linked to the assumptions made by the actuary, (2) other movements comprising (i) net interest costs (ii) current service costs - the value of benefits accrued by members over the accounting period less contributions paid and (iii) past service costs for additional benefits granted during the year. Again since the LGPS movement do not relate to operational matters these have been excluded from the operational result. The significant increase in the LGPS liability during 2018-19 relates to a number of issues which are described in note 2 to the financial statements explaining critical accounting estimates and judgements.

At 31 August 2019, the net book value of fixed assets was £9.45m and movements in tangible fixed assets are shown in note 13 to the financial statements. During the year the assets were used almost exclusively for providing education and the associated support services to the pupils of the academy, the only exceptions to this being limited letting of the premises to local community groups.

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Financial position

The academy trust held fund balances at 31 August 2019 of £8.41m (2018: £8.93m). These funds comprise restricted fixed asset funds of £9.46m, restricted revenue funds of £129k, unrestricted revenue funds of £212k, plus a pension fund showing a deficit of £1.39m.

The pension reserve is the only fund in deficit, and the reduction in the liability in the year has been explained in the financial review above. This deficit does not mean that an immediate liability crystallises. The accounting deficit has no direct effect on the employer contribution rate paid by the school, which is determined using longer-term funding assumptions.

Reserves policy

The trustees review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The trustees will endeavor to maximize the reserves, however, not by neglecting the funding for each individual student.

Principal risks and uncertainties

The main risks that the academy is exposed to is summarised below. For each of these risks the probability, impact and seriousness have been considered together with appropriate action and avoidance plans:

- *Strategic and Reputational* - This covers unfavourable Ofsted reports, risk of uncontrollable events and insufficient demand for academy service, competition from other schools with similar objects and little scope for differentiation. It also includes the capacity of existing buildings to deliver teaching and learning to students. The school is very close to maximum capacity and this may be a real issue linked to possible increases KS2 student numbers that are coming through in Swale.
- *Finance risk* - The risk of the academy not operating within its budget and running a deficit. Risks linked to income not increasing at the same rate of inflation (especially for 6th form pupils) over the coming years. There are also risks in connection with the deficit on the Local Government Pension Scheme, although the trustees are comfortable with the current level of employer contributions the academy is required to pay. There is also risks in connection with the Teachers' Pension employer contribution increase and sustaining ongoing payments should the support for this increase from DfE cease.

Financial and risk management objectives and policies

The academy trust uses various financial instruments including cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to maintain cash flow for the academy trust's operations.

The existence of these financial instruments exposes the academy trust to a number of financial risks which are described in more detail below. The main risks arising from the trust's financial instruments are liquidity risk and cash flow interest rate risk.

- *Liquidity risk* - the trust manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing. Trustees review the amount of surplus cash and invest as appropriate so as to maximise interest income.
- *Interest rate risk* - the trust earns interest on cash deposits and with interest rates currently low, the directors will take appropriate action to ensure they maximise the income from these deposits.
- *Credit risk* is managed through regular contact with funders. Liquidity and cash flow risks are managed through the appropriate and carefully managed use of financial instruments with our principal bankers.

FUNDRAISING

During the academic year 2018-19, Borden Grammar School has not worked with any professional fundraising organisations.

Other than asking parents to consider contributing to the school voluntary fund, the school has not approached members of the public with any requests to provide donations. The school has bid to several charities/organisations who offer grants.

The Parent and Friends Association (PFA) run a few fundraising events each year (ie Quiz and Christmas Fair).

The trustees will ensure any fundraising by the school adheres to the relevant requirements as detailed in the Charity fundraising: a guide to trustee duties (CC20).

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EQUAL OPPORTUNITIES

The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The academy trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

DISABLED PERSONS

Ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the ground floor areas of the academy trust buildings. Improvements to classrooms have been made by purchasing contrasting tables and chairs to support visually impaired students. The policy of the academy trust is to support recruitment and retention of students and employees with disabilities. The academy does this by adapting the physical environment, by making support resources available and through training and career development.

PLANS FOR FUTURE PERIODS

The trustees' main plans for future periods are:

- To successfully implement the new GCSE specifications across subject areas with regards to the performance all students by securing 35% of grades at grade 7-9 and 80% of grades at grade 5 or better.
- To improve progress made by students by the end of Year 13 so that over 45% of all results are at A*-B grades.
- To use the greater financial flexibility gained from academy status to modernise and update significant areas of pupils' learning environment.

AUDITORS

In so far as the trustees are aware:

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

The auditors, UHY Hacker Young indicated their willingness to remain in office, and the audit process was reviewed in detail. The school went out to tender for Audit services in spring 2019 and re-appointment of the auditors took place after the Annual General Meeting. UHY Hacker Young were re-appointed.

This report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company's directors, on 15 November 2019 and signed on the Board of Trustees' behalf by:



Mrs S Mendoza
Chair of Trustees



Mr J Hopkins
Headteacher and Accounting Officer, Ex-Officio

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Governance Statement

Scope of Responsibility

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

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 4 times during the year. Attendance during the year at meetings of the board of trustees was as follows. *(note that the Finance meeting on 24 June was extended to the Full Board of Trustees in order to approve the budget forecast for 2019 – 20):*

<u>Trustee</u>	<u>Meetings attended</u>	<u>Out of a possible</u>
Mr Gerry Wetherell, Chair of Trustees	5	5
Mr P Bromwich (member)	2	5
Mrs B Casbolt (resigned 30 September 2018)	0	0
Mr C Browne	3	5
Mr C Easton	4	5
Mrs H Hendry	4	5
Mrs Y Herbert	4	5
Mr T Hewett, Staff Trustee	5	5
Mr J Hopkins, Headteacher, Accounting Officer	5	5
Mrs S Mendoza	2	5
Ms V Meacham	4	5
Mrs M Johnson	3	5
Mrs M Brooker, Staff Trustee	3	5
Mrs E Carter, Staff Trustee	3	5
Mr M Stewart (resigned 8 February 2019)	0	3
Mr M Bailey	5	5
Mr D Watkins	5	5

Although the Full board of Trustees met less than 6 times, effective oversight was maintained. In addition all Trustees have access to monthly monitoring accounts, including budget monitoring, cash flow reports and balance sheets.

Ofsted met with key trustees as part of their November 2016 Inspection. Ofsted's evaluation of the work of the trustees helped to inform a judgment that the school 'continues to be good' and the strength of leadership is recognized throughout the report.

Secondly, the trustees have taken steps to ensure that the capacity of the trustees to uphold standards in the school through careful succession planning is in place. This has been reflected in the distribution of trustees across sub-committees and within the leadership of trustee sub-committees. In addition trustees have been particularly active in securing and listening to student voice within trustee visits to inform their views of the school and the effectiveness of both teaching and pastoral care. In turn this has informed how the Standards Committee reviews the quality of teaching and learning and the priorities for the School Improvement Plan in 2019-20.

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Governance Statement

The Finance & Resources Committee is a sub-committee of the main board of trustees. Its purpose is to effectively plan and monitor the financial resources of the academy. The Finance and Resources Committee's remit also includes the functions of an audit committee.

Attendance at Finance & Resources Committee meetings in the year was as follows (*note that the meeting on 24th June was extended to the Full Board of Trustees in order to approve the budget forecast for 2019- 20*):

<u>Trustee</u>	<u>Meetings attended</u>	<u>Out of a possible</u>
Mr P Bromwich (member)	5	5
Mr J Hopkins, Headteacher/Accounting Officer	4	5
Mr G Wetherell, Chair of Trustees	3	5
Mr C Browne	4	5
Mr D Watkin	4	5
Mr T Hewett	5	5
Mrs E Carter	4	5
Mr Mark Bailey	3	5
Ms V Meacham	3	5
Mrs Y Herbert	4	5

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Borden Grammar School Trust for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed UHY Hacker Young, the external auditors, to perform additional checks.

The auditors' role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On a quarterly basis, the auditors' report to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The quarterly monitoring checks on the school systems help to ensure that appropriate systems are in place and are operating efficiently throughout the year, and narrative reports are issued to trustees after each monitoring visit.

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Governance Statement

The role of the external auditor in their capacity of providing an additional supplementary programme of work has been fully delivered in line with ESFA requirements and there have been no material control issues requiring urgent attention.

Review of Effectiveness

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

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

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

Review of Value for money

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

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

- using performance data to compare attainment and other outcomes from all schools nationally, and with similar schools;
- using the information gained to challenge performance and set new targets; and
- using fair competition through quotations and tenders, ensuring resources and contracts for services are secured in the most economic, efficient and effective way.

At Borden Grammar School budgets are delegated to Heads of Department. In addition to curriculum budgets the Headteacher holds a 'contingency' budget which can approve additional bids from budget holders in response to needs or wants. Sustained educational outcomes, particularly at GCSE and Y12 have been secured against a backdrop of significant funding cuts which have resulted in budget holders having to make difficult decisions.

All staff adhere to the school procedures for purchasing items, as laid down in the Financial Regulations Manual, paying regard to value for money at all times. The Headteacher or designated deputy authorises all orders and invoices prior to payment.

Where the school purchases large items, we adhere to the following:

- for orders in excess of £50,000, no fewer than three competitive tenders are sought and submitted to the Full Board of Trustees for approval;
- for orders in excess of £8,000, but less than £50,000, three written quotations are obtained and submitted to the Finance and Resources Committee for approval and report to the Full Board of Trustees. If an urgent decision is required for purchases up to £50,000, the Bursar seeks agreement from the Chair of Trustees, Vice Chair of Trustees and Chair of Finance and Resources Committee and report to the Full Board of Trustees at the next meeting ; and
- the School also adopts the procedure where quotations are sought for all purchases exceeding £1,000 (either for individual or multiple items).

The school has established procedures for assessing need and obtaining goods and services which provide best value in terms of suitability, efficiency, time and cost. Maintenance contracts are reviewed regularly.

The performance management process is applied rigorously to ensure that pay progression is in line with the school's policies on Appraisal and Pay. In particular staff moving through threshold have to meet clear criteria, progression is not automatic; standards are more exacting as staff progress through the Upper Pay Scale.

TLR values have been reviewed, particularly for middle leaders, in response to benchmarking activity with the KMGSA. In addition a review of Support Staff remuneration also affected a number of staff.

Borden Grammar School Trust
(A company limited by guarantee)


Governance Statement

In response to the challenge posed by budget cuts the school has looked to rationalise staffing wherever possible in response to opportunities presented by 'natural wastage.' Consequently, certain roles, particularly among support staff have been amalgamated or re-distributed in order realise efficiency gains for the Academy.

Approved by order of the members of the board of trustees on 15 November 2019 and signed on their behalf, by:



Mrs S Mendoza
Chair of Trustees



Mr J Hopkins
Headteacher and Accounting Officer, Ex-Officio

Borden Grammar School Trust
(A company limited by guarantee)

Statement on Regularity, Propriety and Compliance

As accounting officer of Borden Grammar School Trust I have considered my responsibility to notify the academy board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy, under the funding agreement in place between the academy and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy board of Trustees are able to identify any material irregular or improper use of all funds by the academy, or material non-compliance with the terms and conditions of funding under the academy's funding agreement and the Academies Financial Handbook 2018.

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



Mr J Hopkins
Accounting Officer

Date: 15 November 2019

Borden Grammar School Trust
(A company limited by guarantee)

Statement of Trustees' responsibilities
For the year ended 31 August 2019

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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


- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of Trustees and signed on its behalf by:


Mrs S Mendoza
Chair of Trustees

Date: 15 November 2019

Borden Grammar School Trust
(A company limited by guarantee)

Independent Auditors' Report on the financial statements to the Members of Borden Grammar School Trust

Opinion

We have audited the financial statements of Borden Grammar School Trust (the 'academy') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP (FRS 102) and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP (FRS 102) and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Other information includes the Reference and administrative details, the Trustees' report including the Strategic report, and the Governance statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Borden Grammar School Trust
(A company limited by guarantee)

Independent Auditors' Report on the financial statements to the Members of Borden Grammar School Trust (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

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



Allan Hickie BSc FCA (Senior statutory auditor)
for and on behalf of
UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 11 December 2019

Borden Grammar School Trust
(A company limited by guarantee)

Independent Reporting Accountant's Assurance Report on Regularity to Borden Grammar School Trust and the Education & Skills Funding Agency

In accordance with the terms of our engagement letter dated 24 September 2014 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Borden Grammar School Trust during the year 1 September 2018 to 31 August 2019 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 Borden Grammar School Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Borden Grammar School Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Borden Grammar School Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Borden Grammar School Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Borden Grammar School Trust's funding agreement with the Secretary of State for Education dated 9 February 2012 and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to arrive at our conclusion. Other than those procedures undertaken for the purposes of our audit of the financial statements of Borden Grammar School Trust for the year ended 31 August 2019 which provide evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.

The work undertaken to draw to our conclusion included:

- an assessment of the risk of material irregularity and impropriety across all of the academy trust's activities;
- further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Borden Grammar School Trust
(A company limited by guarantee)

Independent Reporting Accountant's Assurance Report on Regularity to Borden Grammar School Trust and the Education & Skills Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



UHY Kent LLP

Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 11 December 2019

Borden Grammar School Trust
(A company limited by guarantee)

Statement of financial activities (incorporating income and expenditure account)
For the year ended 31 August 2019

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income from:						
Donations and capital grants	3	4,470	2,000	85,256	91,726	40,910
Charitable activities	4	186,129	3,835,286	-	4,021,415	3,944,357
Other trading activities	5	45,760	-	-	45,760	37,000
Investments	6	1,150	-	-	1,150	204
Total income		237,509	3,837,286	85,256	4,160,051	4,022,471
Expenditure on:						
Charitable activities	7	179,594	4,012,034	216,975	4,408,603	4,254,212
Total expenditure		179,594	4,012,034	216,975	4,408,603	4,254,212
Net movement in funds before other recognised gains/(losses)		57,915	(174,748)	(131,719)	(248,552)	(231,741)
Other recognised gains/(losses):						
Actuarial (losses)/gain on defined benefit pension schemes	21	-	(275,000)	-	(275,000)	313,000
Net movement in funds		57,915	(449,748)	(131,719)	(523,552)	81,259
Reconciliation of funds:						
Total funds brought forward		154,052	(813,713)	9,593,693	8,934,032	8,852,773
Net movement in funds		57,915	(449,748)	(131,719)	(523,552)	81,259
Total funds carried forward	16	211,967	(1,263,461)	9,461,974	8,410,480	8,934,032

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 22 to 41 form part of these financial statements.

Borden Grammar School Trust
(A company limited by guarantee)

Balance Sheet
As at 31 August 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	9,448,437	9,587,251
Current assets			
Debtors	14	42,798	38,914
Cash at bank and in hand		405,827	332,031
		<u>448,625</u>	<u>370,945</u>
Creditors: amounts falling due within one year	15	(93,582)	(48,164)
Net current assets		<u>355,043</u>	<u>322,781</u>
Total assets less current liabilities		<u>9,803,480</u>	<u>9,910,032</u>
Defined benefit pension scheme liability	21	(1,393,000)	(976,000)
Total net assets		<u><u>8,410,480</u></u>	<u><u>8,934,032</u></u>
Funds of the academy			
Restricted funds:			
Fixed asset funds	16	9,461,974	9,593,693
Restricted income funds	16	129,539	162,287
		<u>9,591,513</u>	<u>9,755,980</u>
Restricted funds excluding pension asset	16		
Pension reserve	16	(1,393,000)	(976,000)
Total restricted funds	16	<u>8,198,513</u>	<u>8,779,980</u>
Unrestricted income funds	16	<u>211,967</u>	<u>154,052</u>
Total funds		<u><u>8,410,480</u></u>	<u><u>8,934,032</u></u>

The financial statements on pages 19 to 41 were approved by the Trustees, and authorised for issue on and are signed on their behalf, by:

Mrs S Mendoza
(Chair of Trustees)

Mr J Hopkins
(Trustee and Accounting Officer)

Date: 15 November 2019

The notes on pages 22 to 41 form part of these financial statements.

Borden Grammar School Trust
(A company limited by guarantee)

Statement of Cash Flows
For the year ended 31 August 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Net cash provided by operating activities	18	65,551	29,750
Cash flows from investing activities	19	8,245	(6,821)
Change in cash and cash equivalents in the year		73,796	22,929
Cash and cash equivalents at the beginning of the year		332,031	309,102
Cash and cash equivalents at the end of the year	20	<u>405,827</u>	<u>332,031</u>

The notes on pages 22 to 41 form part of these financial statements

Borden Grammar School Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2019

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the academy, which is a public benefit entity under FRS 102, have been prepared under the historic cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

1.2 Going concern

The Trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

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

• **Grants**

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

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

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

• **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

• **Other income**

Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the academy has provided the goods or services.

Borden Grammar School Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2019

1. Accounting policies (continued)

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Interest receivable

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

1.6 Taxation

The academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.7 Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Depreciation is provided on the following bases:

Interest in school buildings	- 2% straight line
Furniture and equipment	- 25% straight line
Computer equipment	- 33.33% straight line
Motor vehicles	- 25% straight line

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

Borden Grammar School Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2019

1. Accounting policies (continued)

1.8 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.9 Operating leases

Rentals paid under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

1.10 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.11 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use a percentage of the allocation towards its own administration costs, however chooses not to do so. The funds received and paid and any balances held are disclosed in note 25.

Borden Grammar School Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2019

1. Accounting policies (continued)

1.12 Fund accounting

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

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

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

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

Borden Grammar School Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the year ended 31 August 2019

2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

For 2018-19 there has been some specific issues which have impacted on the actuarial assumptions and closing pension scheme liability of all LGPS employers:

(1) The "McCloud/Sargeant judgement". This relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements. Actuarial evidence suggested that the impact of making an allowance for this judgement would be material, and so the academy trust asked the actuary to make an allowance in the figures.

In order to quantify the constructive obligation the actuary has made calculations using an approximate approach. One critical assumption under this method is that salaries will increase at least CPI plus 1.5%. Further, the approximate approach does not take into account the specific age profile of the employer's pension scheme members.

The impact of McCloud/Sargeant has been to increase the constructive obligation at 31 August 2019 by £34k. This is reflected as a past service cost, within staff costs, and detailed in note 21.

There will also be an increase in the cost of benefits from 1 September 2019.

(2) Guaranteed Minimum Pension (GMP). GMP is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs between genders is required. As a result of an on-going debate on how this impacts on public service pension schemes, there has been national debate about the point at which a past service cost is triggered. Briefing notes provided by the actuary have indicated that a 'trigger event' is yet to occur for the LGPS and so no allowance has been made for GMP in the LGPS liability included within these financial statements. It is, in any case, considered likely that any impact would be immaterial.

(3) Discount rates. There has been a change in financial assumptions over the period, including the discount rate. The discount rate has been reduced significantly which has resulted in a less positive balance sheet position than if the discount rate at the start of the period had been used. The impact comes through as part of the actuarial movement shown on Statement of Financial Activities.

(4) Mortality assumptions. Details of the changes in mortality assumptions are shown in note 21. The actuary calculations use a model prepared by the Continuous Mortality Investigation (CMI) which is updated on an annual basis, incorporating the latest mortality data in the national population. This year the mortality assumptions use an updated CMI model which now anticipates a significant reduction in projected life expectancies. The lower life expectancy assumptions result in a more positive balance sheet position than if the mortality rates at the start of the period had been used, and the impact comes through as part of the actuarial movement shown on Statement of Financial Activities.

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3. Income from donations and capital grants

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Donations	4,470	20,350	24,820	21,301
Capital grants	-	66,906	66,906	19,609
	4,470	87,256	91,726	40,910
<i>Analysis of 2018 total by fund</i>	401	40,509	40,910	

4. Funding for the academy's educational operations

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	3,678,880	3,678,880	3,643,096
Other DfE/ESFA grants	-	122,519	122,519	73,912
	-	3,801,399	3,801,399	3,717,008
Other government grants				
Local authority grants	-	32,364	32,364	42,933
	-	32,364	32,364	42,933
Other funding				
Catering	163,955	-	163,955	156,906
Academies	20,000	-	20,000	24,000
Other	2,174	1,523	3,697	3,510
	186,129	1,523	187,652	184,416
	186,129	3,835,286	4,021,415	3,944,357
<i>Analysis of 2018 total by fund</i>	182,754	3,761,603	3,944,357	

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5. Income from other trading activities

	Unrestricted funds 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Sale of goods and services	39,080	39,080	37,000
Other	6,680	6,680	-
	<u>45,760</u>	<u>45,760</u>	<u>37,000</u>

All income from trading activities in the prior year related to unrestricted funds.

6. Investment income

	Unrestricted funds 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Bank interest	<u>1,150</u>	<u>1,150</u>	<u>204</u>

All investment income in the prior year related to unrestricted funds.

7. Expenditure

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £	<i>Total 2018 £</i>
Educational operations:					
Direct costs	2,906,530	185,787	325,123	3,417,440	3,297,468
Allocated support costs	514,126	188,603	288,434	991,163	956,744
	<u>3,420,656</u>	<u>374,390</u>	<u>613,557</u>	<u>4,408,603</u>	<u>4,254,212</u>
<i>Analysis of 2018 total</i>	<u>3,293,951</u>	<u>395,896</u>	<u>564,365</u>	<u>4,254,212</u>	

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8. Analysis of expenditure by activities

	Direct costs 2019 £	Support costs 2019 £	Total funds 2019 £	<i>Total</i> <i>funds</i> <i>2018</i> <i>£</i>
Educational operations	3,417,440	991,163	4,408,603	4,254,212
<i>Analysis of 2018 total</i>	<i>3,297,468</i>	<i>956,744</i>	<i>4,254,212</i>	

Analysis of support costs

	Total funds 2019 £	<i>Total</i> <i>funds</i> <i>2018</i> <i>£</i>
Staff costs	514,126	479,426
Premises costs	188,603	210,140
Other support costs	275,034	254,728
Governance costs	13,400	12,450
	991,163	956,744

9. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2019 £	<i>2018</i> <i>£</i>
Operating lease rentals	18,799	14,844
Depreciation of tangible fixed assets	216,975	209,052
Fees paid to auditors for:		
- audit	7,985	7,715
- other services	5,415	4,320

10. Trustees' and Officers' insurance

In accordance with normal commercial practice, the academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2019 was £247 (2018 - £613). The cost of this insurance is included in the total insurance cost.

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11. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019	<i>2018</i>
	£	<i>£</i>
Wages and salaries	2,556,467	2,491,045
Social security costs	249,424	240,022
Pension costs	561,020	537,732
	<u>3,366,911</u>	<u>3,268,799</u>
Agency staff costs	53,745	25,152
	<u><u>3,420,656</u></u>	<u><u>3,293,951</u></u>

b. Staff numbers

The average number of persons employed by the academy during the year was as follows:

	2019	<i>2018</i>
	No.	<i>No.</i>
Teachers	45	45
Administration and support	46	46
Management	6	6
	<u>97</u>	<u>97</u>

c. Higher paid staff

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

	2019	<i>2018</i>
	No.	<i>No.</i>
In the band £60,001 - £70,000	1	1
In the band £80,001 - £90,000	1	1

d. Key management personnel

The key management personnel of the academy trust comprise the trustees and senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £628,180 (2018: £612,920).

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12. Trustees' remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy. The Headteacher and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff members under their contracts of employment. The value of Trustees' remuneration and other benefits was as follows:

		2019 £	2018 £
Jonathan Hopkins, Accounting Officer	Remuneration	85,000 - 90,000	80,000 - 85,000
	Pension contributions paid	10,000 - 15,000	10,000 - 15,000
Emma Carter	Remuneration	45,000 - 50,000	45,000 - 50,000
	Pension contributions paid	5,000 - 10,000	5,000 - 10,000
Tim Hewett	Remuneration	15,000 - 20,000	15,000 - 20,000
	Pension contributions paid	0 - 5,000	0 - 5,000
Michelle Brooker	Remuneration	45,000 - 50,000	45,000 - 50,000
	Pension contributions paid	5,000 - 10,000	5,000 - 10,000

During the year ended 31 August 2019, no Trustee expenses have been incurred (2018 - *ENIL*).

13. Tangible fixed assets

	Freehold property £	Furniture and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 September 2018	10,700,240	165,059	252,227	5,500	11,123,026
Additions	6,011	62,309	9,841	-	78,161
Disposals	-	-	(77,275)	-	(77,275)
At 31 August 2019	10,706,251	227,368	184,793	5,500	11,123,912
Depreciation					
At 1 September 2018	1,180,480	118,245	231,550	5,500	1,535,775
Charge for the year	185,787	18,593	12,595	-	216,975
On disposals	-	-	(77,275)	-	(77,275)
At 31 August 2019	1,366,267	136,838	166,870	5,500	1,675,475
Net book value					
At 31 August 2019	9,339,984	90,530	17,923	-	9,448,437
At 31 August 2018	9,519,760	46,814	20,677	-	9,587,251

Included in freehold property is land at value of £1,411,406 (2018 - £1,411,406) which is not depreciated.

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14. Debtors

	2019	<i>2018</i>
	£	<i>£</i>
Trade debtors	291	<i>1,806</i>
Other debtors	2,590	<i>10,821</i>
Prepayments and accrued income	39,917	<i>26,287</i>
	<u>42,798</u>	<u><i>38,914</i></u>

15. Creditors: Amounts falling due within one year

	2019	<i>2018</i>
	£	<i>£</i>
Trade creditors	10,324	<i>-</i>
Accruals and deferred income	83,258	<i>48,164</i>
	<u>93,582</u>	<u><i>48,164</i></u>

	2019	<i>2018</i>
	£	<i>£</i>
Deferred income at 1 September 2018	15,353	<i>25,974</i>
Resources deferred during the year	10,583	<i>15,353</i>
Amounts released from previous periods	(14,353)	<i>(25,974)</i>
	<u>11,583</u>	<u><i>15,353</i></u>

At the balance sheet date, the academy trust was holding funds received in advance for 2019/20 in respect of ESFA rates relief and other donations.

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16. Statement of funds

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
Unrestricted funds						
General fund	154,052	237,509	(179,594)	-	-	211,967
Restricted general funds						
General Annual Grant (GAG)	156,254	3,678,880	(3,706,904)	-	-	128,230
Other DfE/ESFA grants	-	122,519	(122,273)	-	-	246
Other government grants	-	32,364	(32,301)	-	-	63
Other restricted	6,033	3,523	(8,556)	-	-	1,000
Pension reserve	(976,000)	-	(142,000)	-	(275,000)	(1,393,000)
	(813,713)	3,837,286	(4,012,034)	-	(275,000)	(1,263,461)
Restricted fixed asset funds						
Fixed assets	9,587,251	-	(216,975)	78,161	-	9,448,437
DfE/ESFA capital grants	6,442	66,906	-	(60,898)	-	12,450
Other capital grants and donations	-	18,350	-	(17,263)	-	1,087
	9,593,693	85,256	(216,975)	-	-	9,461,974
Total Restricted funds	8,779,980	3,922,542	(4,229,009)	-	(275,000)	8,198,513
Total funds	8,934,032	4,160,051	(4,408,603)	-	(275,000)	8,410,480

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

General Annual Grant ("GAG") must be used for the normal running costs of the academy trust.

The other DfE/ESFA grants is used to track non-GAG grant money received from the DfE/ESFA and connected bodies, and included Pupil Premium.

The other government grants fund is used to track grants provided by government departments.

The pensions reserve is a restricted fund to account for the liability arising under The Local Government Pension Scheme.

The other restricted funds reserve accounts for any non-government grant income that is treated as restricted funding.

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Notes to the Financial Statements
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16. Statement of funds (continued)

The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held.

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

	<i>Balance at 1 September 2017 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2018 £</i>
Unrestricted funds						
General fund	99,707	220,359	(166,014)	-	-	154,052
Restricted general funds						
General Annual Grant (GAG)	142,848	3,643,096	(3,629,690)	-	-	156,254
Other DfE/ESFA grants	449	73,912	(74,361)	-	-	-
Other government grants	-	42,933	(42,933)	-	-	-
Other restricted	6,033	4,162	(4,162)	-	-	6,033
Pension reserve	(1,161,000)	-	(128,000)	-	313,000	(976,000)
	<u>(1,011,670)</u>	<u>3,764,103</u>	<u>(3,879,146)</u>	<u>-</u>	<u>313,000</u>	<u>(813,713)</u>
Restricted fixed asset funds						
Fixed assets	9,751,269	-	(209,052)	45,034	-	9,587,251
DfE/ESFA capital grants	13,467	19,609	-	(26,634)	-	6,442
Other capital grants and donations	-	18,400	-	(18,400)	-	-
	<u>9,764,736</u>	<u>38,009</u>	<u>(209,052)</u>	<u>-</u>	<u>-</u>	<u>9,593,693</u>
Total Restricted funds	<u>8,753,066</u>	<u>3,802,112</u>	<u>(4,088,198)</u>	<u>-</u>	<u>313,000</u>	<u>8,779,980</u>
Total funds	<u>8,852,773</u>	<u>4,022,471</u>	<u>(4,254,212)</u>	<u>-</u>	<u>313,000</u>	<u>8,934,032</u>

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17. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	9,448,437	9,448,437
Current assets	211,967	223,121	13,537	448,625
Creditors due within one year	-	(93,582)	-	(93,582)
Provisions for liabilities and charges	-	(1,393,000)	-	(1,393,000)
Total	211,967	(1,263,461)	9,461,974	8,410,480

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	9,587,251	9,587,251
Current assets	154,052	210,451	6,442	370,945
Creditors due within one year	-	(48,164)	-	(48,164)
Provisions for liabilities and charges	-	(976,000)	-	(976,000)
Total	154,052	(813,713)	9,593,693	8,934,032

18. Reconciliation of net expenditure to net cash flow from operating activities

	2019 £	2018 £
Adjustments for:		
Depreciation	216,975	209,052
Capital grants from DfE and other capital income	(85,256)	(38,009)
Interest receivable	(1,150)	(204)
Defined benefit pension scheme cost less contributions payable	117,000	99,000
Defined benefit pension scheme finance cost	25,000	29,000
Increase in debtors	(3,884)	(3,944)
Increase/(decrease) in creditors	45,418	(33,404)
Net cash provided by operating activities	65,551	29,750

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19. Cash flows from investing activities

	2019	<i>2018</i>
	£	<i>£</i>
Dividends, interest and rents from investments	1,150	204
Purchase of tangible fixed assets	(78,161)	(45,034)
Capital grants from DfE Group	66,906	19,609
Capital funding received from sponsors and others	18,350	18,400
Net cash provided by/(used in) investing activities	8,245	<i>(6,821)</i>

20. Analysis of cash and cash equivalents

	2019	<i>2018</i>
	£	<i>£</i>
Cash in hand	405,827	332,031
Total cash and cash equivalents	405,827	<i>332,031</i>

21. Pension commitments

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

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

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 or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. 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 Public Service Pensions Act (2013) 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 – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension 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.

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21. Pension commitments (continued)

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.08%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to TPS in the year amounted to £324,000 (2018 - £320,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £122,000 (2018 - £115,000), of which employer's contributions totalled £94,000 (2018 - £89,000) and employees' contributions totalled £ 28,000 (2018 - £26,000). The agreed contribution rates for future years are 20 per cent for employers and 5.5-12.5 per cent for employees.

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

Principal actuarial assumptions

	2019	2018
	%	%
Rate of increase in salaries	3.70	3.80
Rate of increase for pensions in payment/inflation	2.20	2.30
Discount rate for scheme liabilities	1.85	2.65

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

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21. Pension commitments (continued)

	2019 Years	<i>2018 Years</i>
Retiring today		
Males	22.1	23.1
Females	24.0	25.2
Retiring in 20 years		
Males	23.7	25.3
Females	25.8	27.5

Sensitivity analysis

	2019 £000	<i>2018 £000</i>
Discount rate +0.1%	(71)	(58)
Discount rate -0.1%	73	59
Mortality assumption - 1 year increase	112	86
Mortality assumption - 1 year decrease	(108)	(83)
CPI rate +0.1%	61	50
CPI rate -0.1%	(60)	(49)

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

	At 31 August 2019 £	<i>At 31 August 2018 £</i>
Equities	1,214,000	1,102,000
Gilts	13,000	12,000
Corporate bonds	161,000	144,000
Property	208,000	200,000
Cash and other liquid assets	48,000	50,000
Investment funds	138,000	110,000
Total market value of assets	1,782,000	1,618,000

The actual return on scheme assets was £75,000 (2018 - £67,000).

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21. Pension commitments (continued)

The amounts recognised in the Statement of Financial Activities are as follows:

	2019 £	2018 £
Current service cost	(176,000)	(187,000)
Past service cost	(34,000)	-
Interest income	44,000	39,000
Interest cost	(69,000)	(68,000)
Administrative expenses	(1,000)	(1,000)
Total amount recognised in the Statement of Financial Activities	(236,000)	(217,000)

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

	2019 £	2018 £
At 1 September	2,594,000	2,606,000
Current service cost	176,000	187,000
Past service costs	34,000	-
Interest cost	69,000	68,000
Employee contributions	28,000	26,000
Actuarial losses/(gains)	306,000	(285,000)
Benefits paid	(32,000)	(8,000)
At 31 August	3,175,000	2,594,000

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

	2019 £	2018 £
At 1 September	1,618,000	1,445,000
Interest income	44,000	39,000
Actuarial gains	31,000	28,000
Employer contributions	94,000	89,000
Employee contributions	28,000	26,000
Benefits paid	(32,000)	(8,000)
Administrative expenses	(1,000)	(1,000)
At 31 August	1,782,000	1,618,000

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22. Operating lease commitments

At 31 August 2019 the academy had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2019	<i>2018</i>
	£	£
Not later than 1 year	19,232	<i>14,437</i>
Later than 1 year and not later than 5 years	30,070	<i>11,661</i>
	<u>49,302</u>	<u><i>26,098</i></u>

23. Members' liability

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

24. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2019 the trust received £9,875 (*2018: £10,718*) and disbursed £9,875 (*2018: £10,718*) from the fund.

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25. Related party transactions

Owing to the nature of the academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures. The following related party transactions took place during the year:

Expenditure related party transaction

Borden Sport Limited

Borden Sport is a limited by guarantee company in which Mr. P. Bromwich, a member of the academy trust, is a director. Borden Sport's memorandum of association includes a clause stating that upon dissolution of the company any debts/liabilities will be shared equally between the school and another entity. For these reasons the academy trust has treated Borden Sport as a related party.

The relationship between the school and Borden Sport Limited is longstanding. Borden Sport have a sub-lease arrangement which gives them use of the sports pitches on the school grounds. Borden Sport hire the sports pitches to third parties outside of school hours, and the academy trust pays to hire the pitches during the school day.

During the year £27,960 (2018: £18,146) was paid to Borden Sport Limited. £15,360 was for hire of the astro sports pitch and £12,600 was towards the re-carpeting of the astro pitch. At 31 August 2019, Borden Sport Limited owed £156 (2018: £446) to the academy trust.

This arrangement has been in place for many years, pre-dating the school's conversion to academy status in 2012. The arrangement was made in accordance with the school's financial regulations, which Mr. Bromwich neither participated in, nor influenced.

The arrangement is an informal contract but this has been renewed during the 2018-19 year. During this process a statement of assurance has been obtained from Borden Sport Limited confirming that the charges to the academy trust are at cost.

The academy trust is therefore content that whilst entering into the transaction it has complied with the requirements of the Academies Financial Handbook 2018.

Borden Grammar School Trust Voluntary Fund Account

During the year £12,262 (2018: £6,105) was spent on behalf of Borden Grammar School Trust Voluntary Fund Account. Students pay for trips and such monies are held in the voluntary fund. On occasion, the flight companies will only accept payment by credit card, so the school pays the trip deposit and or balance by credit card and the funds are then repaid back to the school from the voluntary fund. No input VAT was claimed on any expenditure incurred on behalf of the Voluntary Fund Account.

The academy received reimbursements during the year in compensation for the majority of payments made (see income transactions below) and as at 31 August 2019 the trust was owed £37 (2018: £4,807) from Borden Grammar School Trust Voluntary Fund Account.

Employment of close family of a trustee

A. Hewett, the nephew of T. Hewett, a trustee, is employed by the academy trust as a caretaker. A. Hewett's appointment was made in open competition and T. Hewett was not involved in the decision making process regarding appointment. A. Hewett is paid within the normal pay scale for his role and receives no special treatment as a result of his relationship to a trustee.

Income related party transactions

During the year the academy trust received income of £2,647 (2018: £6,476) from Borden Sport Limited. The income relates to administration and cleaning fees, and charges relating to utilities.

During the year the academy trust received income of £17,032 (2018: £1,298) from Borden Grammar School Trust Voluntary Fund Account.