

Company registration number:  
08397975 (England and Wales)



**CASTLE SCHOOL EDUCATION TRUST**  
**a company limited by guarantee**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

# CASTLE SCHOOL EDUCATION TRUST

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## CASTLE EDUCATION SCHOOL

### REFERENCE AND ADMINISTRATIVE DETAILS

#### Members

Rhona Allgood  
Mike Ashfield  
John Barrow  
Richard Crabtree  
Penelope Robinson

#### Directors

Chair of Governors	Stuart Hill
Chief executive and accounting officer	Melanie Warnes
Staff director	Jon Welsh
Parent directors	Mike Ashfield Richard Crabtree
Academy directors	Stuart Hill Jason Lugg (appointed September 2013)
Community directors	Rhona Allgood John Barrow Graham Barley Quentin Killey (resigned 14 November 2013) Paul Harrod (appointed 13 March 2014) Timothy Pearce Penelope Robinson
Fortius Schools Trust nominee	Clive Parkinson

#### Castle School Education Trust senior leadership team

Chief executive	Melanie Warnes
The Castle School headteacher	Peter Smart
Charfield Primary School headteacher	Dafydd Lawday
Head of finance and business management	Meng Kwok

#### Principal and registered office

The Castle School  
Park Road  
Thornbury  
South Gloucestershire  
BS35 1HT

#### Company registration number

08397975

#### Independent auditor

BDO LLP  
Bridgewater House  
Finzels Reach, Counterslip  
Bristol  
BS1 6BX

#### Bankers

Lloyds Bank Plc  
High Street  
Chipping Sodbury  
BS37 6AW

#### Solicitors

Veale Wasbrough Vizards LLP  
Orchard Court  
Orchard Lane  
Bristol  
BS1 5WS

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

The directors present their annual report together with the financial statements and auditor's reports of the charitable company for the period 1 September 2013 to 31 August 2014. The annual report serves the purposes of both a trustees' report under charity law and a directors' report under company law.

**Structure, governance and management**

*Constitution*

Castle School Education Trust (CSET) is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association dated 11 February 2013 are the primary governing documents of the trust, which is a multi-academy trust. The directors of CSET are also the trustees of the charitable trust for the purposes of charity law.

Details of the directors of CSET who served during the year to 31 August 2014 are included in the Reference and Administrative Details on page 1.

*Members' liability*

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

*Directors' indemnities*

In accordance with normal commercial practice, CSET has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on trust business. The insurance provides cover up to £5,000,000 in the aggregate or any one claim.

*Principal activities*

CSET's principal activity is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum; and to promote for the benefit of the inhabitants of the local authority areas (and surrounding areas) in which any of its academies are situated, the provision of facilities for recreation or other leisure time occupation.

For the period to 31 August 2014, CSET was responsible for two schools – The Castle School in Thornbury and Charfield Primary School in Charfield, which converted to an academy on 1 September 2013. The activities, assets and liabilities of Charfield Primary School were donated to the Trust on conversion.

*Method of recruitment and appointment or election of directors*

The appointment or election of directors is dependent upon the type of director.

- Member appointed directors are appointed by the company members up to a maximum of seven. This may include a staff director, provided that the total number of directors including the chief executive who are employees of the company does not exceed one third of the total number of directors.
- Two parent directors are appointed by election by the parent governors from amongst their number on CSET local governing boards.
- The chief executive is an ex-officio director.
- The chair of governors of each CSET local governing board is an ex-officio director. However, if the number of academies exceeds five, the chairmen of the local governing bodies shall elect five persons from amongst their number to be the directors.
- In accordance with the memorandum and articles of association, the Fortius Schools Trust will appoint one CSET director.
- There can be up to three co-opted directors, appointed by the board of directors.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Structure, governance and management (continued)**

*Method of recruitment and appointment or election of directors (continued)*

Directors are appointed for a four year period, then may be re-appointed or re-elected subject to eligibility.

*Policies and procedures adopted for the induction and training of directors*

The training and induction provided for new directors depends on their existing experience and is tailored to the individual. Where necessary, induction will provide training on charity and educational legal and financial matters. New directors unfamiliar with CSET's academies will be given a tour of the schools and the chance to meet with staff and pupils. All directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role.

*Organisational structure*

CSET governance structure consists of two levels: the Trust's board of directors and the individual academies' local governing bodies. The aim of this structure is to delegate responsibility and promote decision making for a school to the governing body and the School Leadership Team (SLT).

The board of directors is responsible for setting long-term strategy and the policies that will achieve the aims and objectives of the trust. The directors will also approve the budget and the annual report and accounts, and ensure that each school's local governing body sets targets, monitors performance and maintains appropriate risk management.

The schools' governing bodies are responsible for agreeing and monitoring annual financial and operational performance targets, senior staff appointments and risk management.

The schools' SLTs control the schools at an executive level implementing and reporting back on the policies approved by the board of directors or local governing body. As a group, each SLT is responsible for the day to day management of the school, authorisation of expenditure within agreed budgets and the appointment of staff, though appointment panels for posts in the SLT always include a Governor. Financial commitments are controlled through the application of a scheme of delegated authority to budget holders within the school.

*Risk management*

The board of directors has assessed the major risks to which the charitable company is exposed, in particular those relating to teaching, provision of facilities and other operational areas of the Trust, and its finances. The directors have implemented a number of systems to assess the risks each school faces, especially in the operational areas (e.g. teaching, health and safety, equal opportunities, Behaviour for Learning, and school trips) and in relation to the control of finances. They have introduced systems, including operational procedures and internal financial controls in order to minimise risk. Where significant financial risk still remains, they have ensured they have adequate insurance cover. They are satisfied that these systems are consistent with guidelines issued by the Charity Commission and the Education Funding Agency. The Trust has an effective system of internal controls, as explained in more detail later.

The SLTs undertake regular reviews of risks facing schools and these are reviewed by the local governing bodies and the directors. They also monitor key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. In addition, the Finance & Resources Committees review regular reports from the Head of Finance and Business Management.

*Connected organisations including related party relationships*

There are no sponsors of the academy trust and there are no related parties which either control or significantly influence its decisions and operations. CSET School has a close working relationship with Downend School through joint membership of Fortius Schools Trust.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Objectives and activities**

*Objects and aims*

CSET aims to provide a quality education in a caring environment. This is detailed in the Trust's values and beliefs and The Castle School's Preferred Future Statement.

We believe:

- that every individual matters;
- that we are all learners;
- that we are preparing students to be active global citizens for the 21st century;
- that more can be achieved together than alone;
- that young people have a right to a safe, happy, varied and challenging learning experience;
- that teaching and learning is an exciting and rewarding activity;
- that school represents an important part of the life to be lived now as well as being preparation for life in the future;
- that learning is achieved best when provided within an environment that is attractive, stimulating and fit for purpose; and
- in inclusive education.

Our beliefs are implicit and explicit in our values which for our school community are:

- RESPECT - For ourselves, others and the environment
- RESPONSIBILITY - At all times at school and within the wider community
- COMMITMENT - We arrive on time, ready for work
- EFFORT - We always do the best we can
- INVOLVEMENT - We play a positive role in the life of our school and community.

The Preferred Future is that by 2015 The Castle School will be a school:

- Where everyone is a successful learner, and learning is seen as an enjoyable, transferable and life-long process.
- Which is recognised locally, nationally and internationally as an outstanding centre of learning for all in Thornbury and beyond.
- Where students are role models for our vision of global citizens in the 21st century, and so will be successfully learning to:
  - Be aware of the wider world and have a sense of their own roles and responsibilities within it
  - Be confident in their ability to contribute their opinion to democratic debate.
  - Recognise, explore and celebrate diversity.
  - Respect the right of others to feel safe and fulfilled.
  - Question the status quo and act to make the world a more equitable place.
  - Contribute positively to the cohesion of local communities.
  - Understand that we can work for a more secure and sustainable future – both for people and the planet.
- Which develops constantly relevant and wide-ranging ways of defining success and measuring achievement in each and every individual student.
- Where barriers to learning are removed, so that no student is left behind.
- Which listens and responds to the ever changing needs of young people and their families.
- Where a creative approach to the curriculum meets the needs of each and every student.
- Where students move successfully and happily between different stages of their education, equipped to make the best choices for their future.
- Which provides a stimulating and rewarding environment in which to learn and work.
- Which is recognised as a leader of innovation and creativity, sharing best practice widely through effective external partnerships.
- Which exemplifies best practice in economic, social and environmental sustainability.
- With thriving leadership at all levels, growing the capacity for further long-term improvements.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Objectives and activities (continued)**

*Objectives, strategies and activities*

The main priorities and activities for CSET for the period to August 2015:

- Teaching and Learning - Improve the quality and consistency of teaching and learning in order to successfully meet the needs of all individuals (particularly those groups who currently underperform).
- Provision for students with special educational needs or disabilities - Improve the provision for SEND students by:
  - ensuring that the high quality differentiation is embedded in all subjects;
  - improving the connections between learning support and behaviour for learning systems in order to best support vulnerable students; and
  - implementing phase 2 of learning support leadership development.
- Learning to Learn - Embed Learning to Learn strategies (particularly literacy consistency) within subjects and across school.
- Progress of Post-16 Students - Improve the quality of provision for and progress of Post-16 students by:
  - ensuring teaching and learning is consistently good or better;
  - driving forward In Focus recommendations (particularly targeted CPD);
  - improving the tracking of student performance and intervention strategies to reduce variation in performance within and between subjects;
  - Developing Post-16 partnership work with Marlwood School; and
  - Driving forward strategies for securing fit for purpose accommodation.
- Collaborative Partnerships - Secure and expand collaborative partnerships, in order to:
  - improve the range and quality of opportunities for: student achievement, employability skills and enrichment; leadership development and CPD for staff;
  - strengthen Castle and our community (including parental engagement); and
  - promote our values, beliefs and culture of collective responsibility.
- Leadership Capacity - Continue to grow the capacity of leaders and develop leadership capabilities in order to extend best practice within the school and also regionally, nationally and internationally (including student leadership).
- Whole Education - Continue to develop practice which ensures a 'whole' education for CSET students.

*Public benefit*

The board of directors has complied with the duty in Section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission in defining the strategic direction of the Trust. The activities by the Trust to achieve public benefit are set out in the Objectives, Strategies and Activities section above.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**STRATEGIC REPORT**

**Achievements and performance**

*Castle School Education Trust*

Since incorporation in March 2013 when The Castle School converted into a multi-academy trust, Castle School Education Trust (CSET) has undertaken several major projects in pursuance of its objectives.

In September 2013, Charfield Primary School joined the Trust as a sponsored school.

In December 2013, the Trust received a request for assistance from the Governors of Marlwood School, inviting CSET to take responsibility for their school improvement following a disappointing Ofsted report for the school. The significance of Marlwood School to the local community convinced the Trust to install its CEO as Interim Headteacher at Marlwood School until a new Headteacher could start in September 2014.

A second local primary school was supported from Spring 2014, when CSET took responsibility for the future of Severn Beach Primary school after it went into Ofsted Special Measures. Following these initial approaches, detailed planning and close working with the governors and communities of both Marlwood and Severn Beach schools prepared them to be ready to join CSET as sponsored academies in Autumn 2014, during the new academic year.

Following a rigorous and inclusive process our CEO managed the appointment of a successor to the position of Headteacher at The Castle School in September 2014. She similarly assisted Marlwood School Governors in appointing their Headteacher in preparation for the new academic year.

Further progress was made during the year to develop opportunities available to students within the Trust through the strengthening of our links with Premium Partners, Achievement for All and Bright Futures. These initiatives align with the values and ethos of the Trust and help meet the needs of our students and school development priorities. This work will continue beyond 2015 and will extend to all schools as they join the Trust.

Recognising the need to improve the standard of some of its leasehold buildings, the Trust is keen to pursue an application by The Castle School to the EFA for funding to improve the condition of some of its post-war temporary accommodation. In conjunction with Marlwood School, the Trust has made progress on a more cost-efficient, joint Post-16 provision.

The educational experience for students at all schools in or supported by CSET was rich and dynamic with tangible positive outcomes for children. While The Castle School students showed a very strong performance in the 2014 exams, Severn Beach Primary School results improved considerably and Marlwood School enjoyed its best ever GCSE outcomes. Charfield Primary School's end of KS2 performance placed it in the top 8% of schools nationally.

CSET is committed to working in a collaborative way within and between the schools in the Trust and the wider community, in order to secure outcomes that no school can achieve alone. This commitment represents a key strength of the Trust and underpins its willingness to consider opportunities for further collaborative arrangements with other schools. The Trust is committed to transforming lives and this is a shared endeavour.

The chief executive and other key leadership staff with the directors have been actively engaged in building and maintaining significant partnerships with other schools, academies and others, e.g. South Gloucestershire Council, for the benefit of children and families locally. The chief executive is a National Leader of Education and The Castle School a National Support School in recognition of on-going contribution to system wide improvements in schools.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Achievements and performance (continued)**

*The Castle School*

Student numbers at The Castle School continue to be good in the context of significant surplus places in the area. Applications to Year 7 (for September 2014) were high with considerable first preference applications. The number on roll at the point of the most recent school census was 1,651 (1,301 – 11-16, 350 – Post-16).

Attainment, when compared to the government measure of five or more A\*-C grades at GCSE with English and Mathematics, was significantly above the national average at 69% at The Castle School.

Progress in English and Mathematics at Key Stage 4 also remain above the national average. 79% of students made the expected progress in English Key Stages 2-4 (national average 72%) and 71% of students made the expected progress in Mathematics (national average 66%). 46% of students achieved the English Baccalaureate A2 attainment at The Castle School remains significantly above the national average with average point score per student at 808 and average point score per entry at 224. The progress made by students at Key Stage 5 is positive and in line with the national average.

Current data shows that all The Castle School's Year 11 2014 school leavers went into Post-16 education, training or employment. The significant majority of students in Year 13 secured a place at their chosen university.

Students' positive engagement in their learning and the school community is demonstrable through high attendance rates which averaged 95.1% (Year 7 to Year 11 2013-2014) and low and reducing exclusion rates. There were 32 fixed period exclusions in the 2013-2014 academic year (compared with 58 in 2012-2013). There was one permanent exclusion in the 2013-2014 academic year.

The Castle School's curriculum provides a wide range of memorable experiences and rich opportunities for high quality learning. Last academic year the school provided a range of courses and qualifications to meet the needs of learners, including GCSEs, A-levels, COPE, BTECs, and Cambridge Nationals. The school also provided personalised programmes including work based learning and use of alternative curriculum provision, including a Work2Learn scheme in Key Stage 4. Progress of students is accelerated through personalised learning and the opportunity for extension and enrichment activities.

The Castle School also has an extensive programme of careers and work related learning. A detailed statement of how The Castle School supports students in careers information and guidance can be found on the school website.

The Castle School continues to support the professional learning of its staff. For teachers, the priority has been the quality of teaching, particularly moving to Outstanding. We have run a continuous cycle of continuing professional development (CPD) to support this, focusing on whole-school priorities of questioning, feedback and differentiation as well as responding to individual and group requests. These have been delivered through a variety of fora. As a result, lesson observation data shows a rising trend from 33% outstanding 2010-2011 to 40% outstanding 2011-2012 (42% of lessons judged outstanding in Ofsted, June 2012), 43% outstanding 2012-2013 and 44% 2013-2014 as well as the percentage of good and outstanding lessons being consistently and reliably over 90% for the past four years. In order to build on this success, teachers are currently undertaking their own professional learning projects (PLPs), in which teachers trial new pedagogy outside their comfort zone within a supportive working triad or group. These projects aim to ensure all teachers identify their own specific need, related to the SIP, and work collaboratively to develop their practice in this area, thereby addressing the individual's priorities and improving all teachers' engagement in their own CPD. Research shows that when these factors come together, professional learning, which has the biggest impact on outcomes for all, takes place.

Support, administration and maintenance staff (SAMS) have pursued professional and technical qualifications ranging from degrees, CACHE and CSBM.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Achievements and performance (continued)**

*Charfield Primary School*

Pupil numbers at Charfield School remain relatively static. However entries into Early Years Foundation Stage (EYFS) for September 2014 were low at 17 pupils. The current number on roll is 184 pupils

2014 outcomes at Charfield School have remained consistently above the National Average in all Key Stages. Within EYFS, the proportion of children reaching a Good Level of Development (GLD) was 19% above the National Average. Year 1 have also performed exceptionally well with the proportion of pupils reaching the required phonics standard being 19% above the National Average.

KS1 Standards have remained high for a number of years. Within 2014 all areas were significantly above the National standards at L2b+. Within L3, standards were above in all subject areas and significantly above in reading.

Pupils transition to high school ready for the next stage in their education. 2014 Attainment and Progress Outcomes for Key Stage 2 were once again outstanding. Pupil's attainment was above National standards in all areas, particularly pupils reaching Level 5. All pupils made expected progress and proportions of children making more than expected progress were well above National standards. Charfield's RAISEonline report indicates that progress measures place the school in the top 8% of the country. During October 2014, the school's appointed SIA completed a review of attainment and progress. His findings indicated that KS2 outcomes were Outstanding.

Charfield's use of Pupil Premium funding is targeted to meet the academic and social needs of the FSM6 pupils and to close the gap between their achievement and that of non Pupil Premium pupils. RAISEonline data indicates that pupils' progress measures (Valued Added / Expected Progress) are above the National. Further information of how the Academy utilises Pupil Premium funding can be found on the school website.

Pupils' positive engagement in learning is demonstrable through high attendance rates which averaged 97.1%, which was above the LA average of 96.2%. There was one fixed period exclusion of ½ a day in the 2013-14 academic year. There were no permanent exclusions.

Charfield continues to support the professional development of its staff. For teachers, the priority has been the quality of teaching particularly moving to Outstanding. We have run a continuous cycle of CPD to support this, focusing on whole-school priorities of questioning, feedback and differentiation as well as responding to individual requests and needs. These have been delivered through a variety of opportunities. As a result, monitoring evidence shows a rising trend in standards over time from 67% good, 22% outstanding (July 13) to 50% good and 50% outstanding (July 14).

In order to build on this success, teachers are continually involved in lesson study, a peer support and improvement initiative in which teachers work collaboratively to trial new pedagogy within a supportive working triad or group. These projects allow all teachers to identify their own development need, related to the SIP, and work collaboratively to develop their practice in this area, thereby addressing the individual's priorities.

Teaching support and administration staff have pursued professional and technical developments in order to ensure they are more effective within their roles.

*Going concern*

After making appropriate enquiries, the board of directors has a reasonable expectation that the 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.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Financial review**

Most of the CSET's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

At the end of the year the Trust carried forward £11,186,597 in restricted capital funds; £336,932, before deducting the defined benefit pension scheme liability of £1,534,000, in restricted general reserves, and £1,524,199 in unrestricted reserves. The directors have set aside £147,389 of unrestricted funds into a designated reserve for the future repair and maintenance of the astro-turf pitch at The Castle School.

The Trust has reviewed its staffing and expenditure in light of the funding it anticipates receiving. In light of these pressures on income and expenditure, the directors feel the level of reserves generated is reasonable in that it will allow the Trust's academies to invest and meet its targets without compromising the quality of education offered in future years.

*Financial and risk management objectives and policies*

A risk register is maintained and key risks have been reviewed during the year at appropriate levels in the organisation.

Matters related to risks and identification of actions are a frequent agenda item of the local governing bodies and sub-committees and minutes for the year are maintained by the Clerk. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Trust and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

*Principal risks and uncertainties*

The directors have assessed the major risks the Trust may experience in its principle work and have identified in particular those related to finance, provision of facilities, quality of teaching, maintenance of student numbers and other operational areas.

The directors have implemented a number of systems to assess risk and have taken steps to minimise these using as detailed in minutes. The Trust has an effective system on internal financial controls.

*Reserves policy*

It is the intention of the Trust to carry forward a prudent level of free reserves. The current level is considered sufficient to provide working capital to cover delays between spending and the receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The directors have reviewed the reserves of the Trust and consider them to be sufficient for the Trust's requirements and not excessive.

*Investment policy*

The Trust manages its cash by reviewing short and medium term requirements for funds. The policy is to invest temporary surplus amounts in easy access bank deposit accounts. There are currently no long term investments made by the Trust. The situation will be reviewed regularly to ensure the Trust maximises the return on its cash reserves.

**CASTLE SCHOOL EDUCATION TRUST**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**Plans for the future**

The Trust has considered the strategic priorities for the next three years with reference to individual faculty plans, whole school plans and a risk register to highlight the key strategic challenges. For 2014/15 the following are strategic priorities for the Trust:

- Maintaining student numbers by keeping The Castle School fully subscribed in light of competition from other providers.
- Ensuring sufficient capacity for school to school support.
- Modelling possible budget reduction schemes and identifying efficiency savings.
- Responding to changing educational policy.
- Implementing an action plan to ensure succession planning and distributed leadership.
- Recruitment and retention of skilled and knowledgeable staff.
- Continuing to raise student attainment and achievement.
- Ensuring capital investment in the school buildings including maintenance and seeking expert advice.
- Develop a growth strategy for the Trust.

As part of the Trust's growth strategy, on 1 September 2014 Severn Beach Primary School and on 1 November 2014 Marlwood School converted to academy trust under the Academies Act 2010 and became the responsibility of CSET, with their assets and liabilities being transferred into the Trust from that date.

**Provision of information to auditor**

So far as each of the directors is aware at the time the report is approved:

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

This report was approved by the directors on .....<sup>8<sup>th</sup></sup> Dec 2014..... and signed on their behalf.



**Stuart Hill**  
Chair of Board of Directors

## CASTLE SCHOOL EDUCATION TRUST

### GOVERNANCE STATEMENT

#### Scope of responsibility

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

The directors have delegated the day to day responsibility to the chief executive, 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 Castle School Education Trust and the Secretary of State for Education. The chief executive is also responsible for reporting to the directors any material weaknesses or breakdowns in internal control.

#### Governance

The information on governance included here supplements that described in the directors' report and the statement of directors' responsibilities. The board of directors has formally met ten times during the year, including the Annual General Meeting on 30 June 2014. Attendance at meetings was as follows:

<b>Director</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Rhona Allgood	10	10
Mike Ashfield	9	10
Graham Barley	10	10
John Barrow	7	10
Richard Crabtree	6	10
Paul Harrod	3	4
Stuart Hill (Chair)	10	10
Quentin Killey	2	2
Jason Lugg	4	10
Clive Parkinson	9	10
Tim Pearce	4	10
Penelope Robinson	7	10
Melanie Warnes	9	10
Jon Welsh	4	10

No governance review to assess the impact and effectiveness of the board of directors was undertaken in the year. A review will be performed in 2014/15.

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

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

#### Capacity to Handle Risk

The board of directors has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of directors.

## CASTLE SCHOOL EDUCATION TRUST

### GOVERNANCE STATEMENT

#### The risk and control framework

The directors of Castle School Education Trust exercise a level of control through the governors of The Castle School and Charfield Primary School, who are responsible for ensuring the adequacy of financial controls and risk management within their schools. The local governing bodies have established finance and resources sub-committees that approve the delegation of authority within the schools and periodically review the internal reports showing planned and actual expenditure, to confirm that adequate financial control is being exercised.

The system of internal financial control is based on clear delegation of authority and segregation of duties supported by a framework of management information reporting, all of which are reviewed each year by the schools' finance and resources sub-committees. The sub-committees undertake the following checks:

- reviewing and challenging budgeted income and expenditure, prior to recommending the budget for approval by the school governors and the Trust's directors;
- approving the scheme of delegation of authority;
- reviewing the internal financial management reports during the period, understanding areas of variation from plan and identifying areas of risk;
- challenging significant items of expenditure, ensuring that purchasing policies are complied with and ensuring suitable work is undertaken to obtain best value for material investments; and
- regularly reviewing key risks and the adequacy of treatment plans.

The board of directors has considered the need for a specific internal audit function and has decided to appoint South Gloucestershire Council as internal auditor. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a regular basis, the internal auditor reports to the board of directors, through the audit committee on the operation of the systems of control and on the discharge of the board of directors' financial responsibilities.

#### Risk management

The directors have had a risk management policy in place throughout the period under review. The key risks and the associated treatment plans are reviewed by the directors each year. The schools' local governing bodies and sub-committees have regularly reviewed the key risks in consultation with members of the schools' senior leadership teams, to ensure that risks and associated actions are appropriate.

#### Review of effectiveness

As accounting officer the chief executive has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

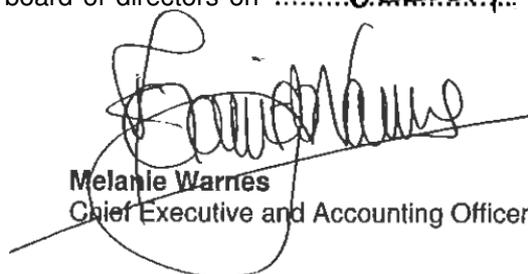
- the work of the internal auditor;
- the work of the external auditor; and
- the work of the Head of Finance and Business Management with responsibility for the financial management of the Trust.

As accounting officer, the chief executive has been advised of the reviews that have taken place and the enhancements that can be made to develop the level of financial control. The directors are confident that the existing level of control is adequate and that the continuing improvements will further strengthen the financial position of the Trust.

Approved by order of the members of the board of directors on <sup>8<sup>th</sup></sup> Dec 2014 and signed on its behalf by:



**Stuart Hill**  
Chair of Board of Directors



**Melanie Warrés**  
Chief Executive and Accounting Officer

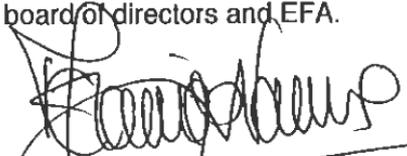
**CASTLE SCHOOL EDUCATION TRUST**

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As accounting officer of Castle School Education Trust I have considered my responsibility to notify the academy trust board of directors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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 directors and EFA.



**Melanie Warnes**  
Chief Executive and Accounting Officer

## CASTLE SCHOOL EDUCATION TRUST

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who act as governors of Castle School Education Trust and are also the trustees of the charitable trust for the purposes of charity law) are responsible for preparing the Directors' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors 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 directors are required to:

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

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

The directors 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 directors on 8<sup>th</sup> Dec 2014 and signed on its behalf by:



**Stuart Hill**  
Chair of Board of Directors

## CASTLE SCHOOL EDUCATION TRUST

### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS AND DIRECTORS OF CASTLE SCHOOL EDUCATION TRUST

We have audited the financial statements of Castle School Education Trust ("the Academy") for the year ended 31 August 2014 which comprise the statement of financial activities, incorporating the income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency ("the EFA").

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 and to the directors, as a body, in accordance with the Academies Accounts Direction 2013 to 2014. Our audit work has been undertaken so that we might state to the Academy's members and directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy, the Academy's members as a body and the Academy's directors as a body for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement, the directors (who act as governors of Castle School Education Trust and are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

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

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

In our opinion the information given in the directors' annual report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

**CASTLE SCHOOL EDUCATION TRUST**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO  
THE MEMBERS AND DIRECTORS OF CASTLE SCHOOL EDUCATION TRUST**

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

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

- adequate and proper accounting records have not been kept in respect of the Academy, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements do not accord with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- any information or explanation to which we are entitled has not been afforded to us.

*BDO LLP*

**Neil Dimes** (Senior statutory auditor)  
for and on behalf of BDO LLP, Statutory auditor  
Bristol, UK

Date: *19 December 2014*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## CASTLE SCHOOL EDUCATION TRUST

### INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO CASTLE SCHOOL EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 29 November 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Castle School Education Trust (the 'Academy') during the year to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of the Academy's funding agreement with the Secretary of State for Education dated 22 February 2013 and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

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

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

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

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

The work undertaken to draw our conclusion includes an assessment of the level of risk associated with the specific categories of income and expenditure and the potential for irregularities to be identified. Our work is performed in accordance with Part 10 of the Academies Accounts Direction 2013 to 2014.

**CASTLE SCHOOL EDUCATION TRUST**

**INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY  
TO CASTLE SCHOOL EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY**

**Conclusion**

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

*BDO LLP*

**BDO LLP**

Chartered Accountants

Bristol, UK

Date: *19 December 2014*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**CASTLE SCHOOL EDUCATION TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
(including Income and Expenditure Account)  
**FOR THE YEAR ENDED 31 AUGUST 2014**

	Note	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Year to 31 August 2014 Total £	7 months to 31 August 2013 Total £
<b>Incoming resources from generated funds</b>						
Voluntary income – transfer from Local Authority on conversion	2,30	66,042	(113,306)	1,354,364	1,307,100	10,436,586
Voluntary income – other	2	10,393	20,033	-	30,426	22,900
Activities for generating funds	3	53,930	-	-	53,930	33,412
Investment income	4	3,612	-	-	3,612	853
<b>Incoming resources from charitable activities</b>						
Funding for the academy trust's educational operations	5	-	9,323,168	38,701	9,361,869	4,454,937
<b>Other income</b>	6	199,738	340,382	-	540,120	170,468
<b>Total incoming resources</b>		<u>333,715</u>	<u>9,570,277</u>	<u>1,393,065</u>	<u>11,297,057</u>	<u>15,119,156</u>
<b>Costs of generating funds</b>						
Fundraising trading	8	25,765	-	-	25,765	6,123
<b>Charitable activities</b>						
Academy trust's educational operations	9	192,703	9,654,647	688,886	10,536,236	4,700,315
<b>Governance costs</b>	10	-	64,980	-	64,980	34,066
<b>Total resources expended</b>	7	<u>218,468</u>	<u>9,719,627</u>	<u>688,886</u>	<u>10,626,981</u>	<u>4,740,504</u>
<b>Net income/(expenditure) for the period</b>		115,247	(149,350)	704,179	670,076	10,378,652
<b>Other recognised gains and losses</b>						
Actuarial gains on defined benefit pension schemes	19,28	-	401,000	-	401,000	64,000
<b>Net movement in funds</b>		<u>115,247</u>	<u>251,650</u>	<u>704,179</u>	<u>1,071,076</u>	<u>10,442,652</u>
<b>Reconciliation of funds</b>						
Fund balances brought forward		1,408,952	(1,448,718)	10,482,418	10,442,652	-
<b>Fund balances carried forward</b>		<u><u>1,524,199</u></u>	<u><u>(1,197,068)</u></u>	<u><u>11,186,597</u></u>	<u><u>11,513,728</u></u>	<u><u>10,442,652</u></u>

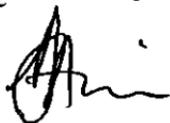
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

All of the academy's activities derive from continuing operations in the current financial period.

**CASTLE SCHOOL EDUCATION TRUST**  
Registered Company Number 08397975  
**BALANCE SHEET**  
**AS AT 31 AUGUST 2014**

	Note	£	2014 £	2013 £
<b>Fixed assets</b>				
Tangible assets	15		11,179,977	10,437,109
			<u>11,179,977</u>	<u>10,437,109</u>
<b>Current assets</b>				
Debtors	16	238,657	253,765	
Investments	17	1,000,000	-	
Cash at bank and in hand		1,383,108	2,153,505	
		<u>2,621,765</u>	<u>2,407,270</u>	
<b>Creditors:</b> amounts falling due within one year	18	<u>(754,014)</u>	<u>(692,727)</u>	
<b>Net current assets</b>			<u>1,867,751</u>	<u>1,714,543</u>
<b>Total assets less current liabilities</b>			<u>13,047,728</u>	<u>12,151,652</u>
Pension scheme liability	28		<u>(1,534,000)</u>	<u>(1,709,000)</u>
<b>Net assets including pension liability</b>			<u>11,513,728</u>	<u>10,442,652</u>
<b>The funds of the academy trust:</b>				
<b>Restricted income funds</b>				
Fixed asset fund	19	11,186,597	10,482,418	
General fund	19	336,932	260,282	
Pension reserve	19	<u>(1,534,000)</u>	<u>(1,709,000)</u>	
<b>Total restricted funds</b>			<u>9,989,529</u>	<u>9,033,700</u>
<b>Unrestricted funds</b>				
Designated funds	19	147,389	-	
General funds	19	<u>1,376,810</u>	<u>1,408,952</u>	
<b>Total unrestricted funds</b>			<u>1,524,199</u>	<u>1,408,952</u>
<b>Total funds</b>			<u>11,513,728</u>	<u>10,442,652</u>

The financial statements on pages 19 to 42 were approved by the directors, and authorised for issue on 8<sup>th</sup> Dec 2014 and are signed on their behalf by:



**Stuart Hill**  
Chair of Board of Directors

**CASTLE SCHOOL EDUCATION TRUST**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

		<b>Year to 31 August 2014 Total £</b>	7 months to 31 August 2013 Total £
<b>Net cash inflow from operating activities</b>	24	<b>192,224</b>	686,919
Returns on investments and servicing of finance	25	<b>2,332</b>	853
Capital expenditure	25	<b>(38,689)</b>	(74,740)
Management of liquid resources	25	<b>(1,000,000)</b>	-
Cash transferred on conversion to an academy trust*		<b>73,736</b>	1,540,473
<b>(Decrease)/increase in cash in the period</b>	26	<b>(770,397)</b>	2,153,505
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the period		<b>(770,397)</b>	2,153,505
Cash outflow from movement in liquid resources		<b>1,000,000</b>	-
Net funds at 1 September 2013		<b>2,153,505</b>	-
<b>Net funds at 31 August 2014</b>	26	<b>2,383,108</b>	2,153,505

\* All of the cash flows are derived from acquisitions in the current financial period.

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

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

##### 1.2 Conversion to an academy trust

The conversions of the new school from state maintained school to an academy operating within the trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from the predecessor body to the academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Castle School Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in Note 30.

##### 1.3 Going concern

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

##### 1.4 Incoming resources

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

###### *Grants receivable*

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

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

###### *Sponsorship income*

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

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 1. ACCOUNTING POLICIES (continued)

##### 1.4 Incoming resources (continued)

###### *Donations*

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

###### *Other income*

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

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

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

##### 1.5 Resources expended and liabilities

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

###### *Costs of generating funds*

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

###### *Charitable activities*

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

###### *Governance costs*

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

All resources expended are inclusive of irrecoverable VAT.

Liabilities are recognised as soon as there is a legal or constructive obligation committing the academy trust to pay out resources.

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**1. ACCOUNTING POLICIES (continued)**

**1.6 Tangible assets and depreciation**

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. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

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

Long leasehold land	-	term of lease
Long leasehold buildings	-	5 to 40 years
Fixtures, fittings and equipment	-	5 years
ICT equipment	-	3 to 5 years

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

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

**1.7 Leased Assets**

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

**1.8 Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty

Liquid resources comprise assets readily disposable but not within 24 hours without penalty. They include short term deposits and other instruments held.

**1.9 Taxation**

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

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 1. ACCOUNTING POLICIES (continued)

##### 1.10 Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each period.

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

##### 1.11 Fund accounting

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

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

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

Designated funds are unrestricted funds that the directors have earmarked for a particular purpose.

#### 2. VOLUNTARY INCOME

	Unrestricted funds	Restricted funds	Year to 31 August 2014	7 months to 31 August 2013
	£	£	£	£
Private sponsorship	10,393	-	10,393	15,200
Other donations	-	20,033	20,033	7,700
Transferred on conversion (see Note 30)	66,042	1,241,058	1,307,100	10,436,586
	<u>76,435</u>	<u>1,261,091</u>	<u>1,337,526</u>	<u>10,459,486</u>

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds	Restricted funds	Year to 31 August 2014	7 months to 31 August 2013
	£	£	£	£
Hire of facilities	43,147	-	43,147	28,681
Other activities for generating funds	10,783	-	10,783	4,731
	<u>53,930</u>	<u>-</u>	<u>53,930</u>	<u>33,412</u>

4. INVESTMENT INCOME

	Unrestricted funds	Restricted funds	Year to 31 August 2014	7 months to 31 August 2013
	£	£	£	£
Bank interest	2,513	-	2,513	853
Short-term deposits	1,099	-	1,099	-
	<u>3,612</u>	<u>-</u>	<u>3,612</u>	<u>853</u>

5. FUNDING FOR THE ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted funds	Restricted funds	Year to 31 August 2014	7 months to 31 August 2013
	£	£	£	£
<b>DfE / EFA grants</b>				
General annual grant (GAG)	-	8,469,705	8,469,705	3,954,721
Pupil premium	-	160,219	160,219	55,350
Capital grants	-	38,701	38,701	33,244
Other DfE/EFA grants	-	256,474	256,474	118,351
	<u>-</u>	<u>8,925,099</u>	<u>8,925,099</u>	<u>4,161,666</u>
<b>Other Government grants</b>				
Local authority grants	-	436,770	436,770	293,271
	<u>-</u>	<u>436,770</u>	<u>436,770</u>	<u>293,271</u>
	<u>-</u>	<u>9,361,869</u>	<u>9,361,869</u>	<u>4,454,937</u>

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**6. OTHER INCOME**

	Unrestricted funds £	Restricted funds £	Year to 31 August 2014 £	7 months to 31 August 2013 £
Contributions to trips	-	321,836	321,836	123,696
Consultancy	91,078	-	91,078	-
Other income	108,660	18,546	127,206	46,772
	<u>199,738</u>	<u>340,382</u>	<u>540,120</u>	<u>170,468</u>

**7. RESOURCES EXPENDED**

	Staff costs £	Premises £	Other costs £	Year to 31 August 2014 £	7 months to 31 August 2013 £
<b>Costs of activities for generating funds</b>	9,869	8,099	7,797	25,765	6,123
<b>Academy trust's educational operations:</b>					
- Direct costs	6,977,580	686,696	937,025	8,601,301	3,868,789
- Allocated support costs	1,044,734	312,242	577,959	1,934,935	831,526
	<u>8,022,314</u>	<u>998,938</u>	<u>1,514,984</u>	<u>10,536,236</u>	<u>4,700,315</u>
<b>Governance costs including allocated support costs</b>	-	-	64,980	64,980	34,066
	<u>8,032,183</u>	<u>1,007,037</u>	<u>1,587,761</u>	<u>10,626,981</u>	<u>4,740,504</u>

Incoming/outgoing resources for the period include:

	Year to 31 August 2014 £	7 months to 31 August 2013 £
Operating lease rentals	15,897	7,970
Auditor's remuneration – audit of financial statements	11,750	8,500
Auditor's remuneration – other services	11,275	15,297
	<u>38,922</u>	<u>31,767</u>

**8. COSTS OF ACTIVITIES FOR GENERATING FUNDS**

	Year to 31 August 2014 £	7 months to 31 August 2013 £
Sports Centre - staff	9,869	3,551
Sports Centre - other costs	8,099	1,796
Other	7,797	776
	<u>25,765</u>	<u>6,123</u>

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**9. CHARITABLE ACTIVITIES – ACADEMY TRUST'S EDUCATIONAL OPERATIONS**

	<b>Year to 31 August 2014 £</b>	<b>7 months to 31 August 2013 £</b>
<b>Direct costs</b>		
Teaching and educational support staff costs	<b>6,977,580</b>	3,223,759
Depreciation	<b>686,696</b>	296,372
Technology costs	<b>53,456</b>	4,886
Educational supplies	<b>147,882</b>	48,621
Examination fees	<b>169,584</b>	117,429
Staff development	<b>25,260</b>	6,552
Educational consultancy	<b>-</b>	8,118
Educational trips	<b>352,932</b>	100,742
Other direct costs	<b>187,911</b>	62,310
	<b><u>8,601,301</u></b>	<u>3,868,789</u>
<b>Allocated support costs</b>		
Support staff costs	<b>1,044,734</b>	488,330
Technology costs	<b>40,896</b>	10,420
Recruitment and support	<b>17,053</b>	6,656
Maintenance of premises and equipment	<b>100,165</b>	38,526
Cleaning	<b>18,677</b>	7,043
Rent and rates	<b>43,197</b>	13,139
Energy costs	<b>150,203</b>	62,136
Insurance	<b>72,785</b>	29,856
Security and transport	<b>40,877</b>	23,944
Catering	<b>58,372</b>	21,649
Bank interest and charges	<b>296</b>	-
Other support costs	<b>347,680</b>	129,827
	<b><u>1,934,935</u></b>	<u>831,526</u>
	<b><u><u>10,536,236</u></u></b>	<u><u>4,700,315</u></u>

**10. GOVERNANCE COSTS**

	<b>Year to 31 August 2014 £</b>	<b>7 months to 31 August 2013 £</b>
Legal and professional fees	<b>39,205</b>	9,207
Auditor's remuneration - audit of financial statements	<b>11,750</b>	8,500
Auditor's remuneration - other services	<b>11,275</b>	15,297
Internal audit services	<b>2,750</b>	962
Other accountancy	<b>-</b>	100
	<b><u>64,980</u></b>	<u>34,066</u>

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

11. STAFF COSTS

a. Staff costs

	<b>Year to 31 August 2014</b>	7 months to 31 August 2013
	£	£
Wages and salaries	<b>6,568,013</b>	3,040,093
Social security costs	<b>460,255</b>	215,802
Pension costs	<b>1,003,915</b>	459,745
	<b>8,032,183</b>	3,715,640
Supply teacher costs	<b>42,363</b>	29,254
	<b>8,074,546</b>	3,744,894

b. Staff numbers

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

	<b>Year to 31 August 2014</b>	7 months to 31 August 2013
	FTE	FTE
<b>Charitable Activities</b>		
Teaching	<b>121</b>	110
Administration and support	<b>85</b>	80
Management	<b>13</b>	10
	<b>219</b>	200

c. Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	<b>Year to 31 August 2014</b>	7 months to 31 August 2013
	No.	No.
£60,001 - £70,000	<b>2</b>	-
£70,001 - £80,000	<b>1</b>	-
£90,001 - £100,000	<b>-</b>	-
£100,001 - £110,000	<b>-</b>	-
£110,001 - £120,000	<b>1</b>	-

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 employer's pension contributions for these staff amounted to £46,380.

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 12. CENTRAL SERVICES

The lead sponsor academy, The Castle School, has provided the following central services to its academies during the year:

- financial services, and
- management support services.

The lead sponsor academy charges for these services on the basis of estimated staff time spent dealing with the affairs of other academies.

The actual amounts charged during the year were as follows:

	£
Charfield Primary School	<u>10,000</u>

#### 13. RELATED PARTY TRANSACTIONS – DIRECTOR REMUNERATION AND EXPENSES

In accordance with the Trust's memorandum and articles of association, the chief executive and other staff directors only receive remuneration in respect of services they provide undertaking the roles of chief executive and staff, and not in respect of their services as directors. Other directors did not receive any payments, other than expenses, from the academy trust in respect of their role as directors. The value of directors' remuneration was as follows:

Melanie Warnes (chief executive and director)	£110,000 - £115,000	(2013: £50,000 - £55,000)
Jon Welsh (staff director)	£45,000 - £50,000	(2013: £20,000 - £25,000)

The Trust paid pension contributions totalling £22,973 (period ended 31 August 2013 - £10,974) on behalf of the two above named directors.

During the year ended 31 August 2014, no travel or subsistence were reimbursed to directors (period ended 31 August 2013 – nil).

Other related party transactions involving the directors are set out in Note 29.

#### 14. DIRECTORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice, the academy has purchased insurance to protect directors 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 (2013: £5,000,000) on any one claim and the cost for the year ended 31 August 2014 was £2,330 including insurance premium tax (period ended 31 August 2013: £1,855 including insurance premium tax).

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

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

15. TANGIBLE ASSETS

	Leasehold Land and Buildings £	Furniture and Equipment £	Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 September 2013	10,579,041	40,538	108,306	5,596	10,733,481
Transfer on conversion	1,350,000	972	3,392	-	1,354,364
Additions	25,524	16,996	34,870	-	77,390
Disposals	-	(170)	(2,970)	-	(3,140)
At 31 August 2014	11,954,565	58,336	143,598	5,596	12,162,095
<b>Depreciation</b>					
At 1 September 2013	276,054	3,840	15,918	560	296,372
Charge	641,616	8,933	35,028	1,119	686,696
Disposals	-	(17)	(933)	-	(950)
At 31 August 2014	917,670	12,756	50,013	1,679	982,118
<b>Net book value</b>					
At 31 August 2014	11,036,895	45,580	93,585	3,917	11,179,977
At 1 September 2013	10,302,987	36,698	92,388	5,036	10,437,109

16. DEBTORS

	2014 £	2013 £
Trade debtors	24,786	19,902
VAT recoverable	97,720	73,780
Other debtors	1,696	11,529
Prepayments	61,725	65,724
Accrued income	52,730	82,830
	<b>238,657</b>	253,765

17. SHORT-TERM INVESTMENTS

	£
Notice or fixed-term cash deposits at 1 September 2013	-
Additions	1,000,000
Notice or fixed-term cash deposits at 31 August 2014	1,000,000

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**18. CREDITORS:**

**Amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	£	£
Trade creditors	<b>268,058</b>	289,111
Taxation and social security	<b>130,934</b>	129,782
Other creditors	<b>125,607</b>	112,038
Accruals	<b>51,613</b>	86,884
Abatement of GAG	-	46,090
Deferred income	<b>177,802</b>	28,822
	<b>754,014</b>	692,727
	<b>754,014</b>	692,727

**Deferred income**

		<b>£</b>
Deferred Income at 1 September 2013		<b>28,822</b>
Resources deferred in the year		<b>177,802</b>
Amounts released from previous periods		<b>(28,822)</b>
		<b>177,802</b>
Deferred Income at 31 August 2014		<b>177,802</b>

At the balance sheet date the academy trust was holding funds received in advance for services and activities to be performed after the balance sheet date. This included funds to be spent on Severn Beach Primary School and Marlwood School, which converted after the balance sheet date (see Note 31).

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

19. FUNDS

	Balance at 1 September 2013 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2014 £
<b>Restricted general funds</b>					
General annual grant (GAG)	98,490	8,593,614	(8,491,651)	-	200,453
Pupil premium funding	45,247	160,219	(125,768)	-	79,698
SEN funding	-	502,770	(502,770)	-	-
School Fund	76,168	329,530	(349,555)	-	56,143
Conversion funding	37,460	18,150	(55,610)	-	-
Other restricted funds	2,917	86,994	(89,273)	-	638
Pension reserve	(1,709,000)	(121,000)	(105,000)	401,000	(1,534,000)
	<u>(1,448,718)</u>	<u>9,570,277</u>	<u>(9,719,627)</u>	<u>401,000</u>	<u>(1,197,068)</u>
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	33,244	38,701	(14,389)	-	57,556
Inherited capital funds	113,266	-	(25,087)	-	88,179
Inherited fixed assets	10,335,908	1,354,364	(649,410)	-	11,040,862
	<u>10,482,418</u>	<u>1,393,065</u>	<u>(688,886)</u>	<u>-</u>	<u>11,186,597</u>
<b>Total restricted funds</b>	<u>9,033,700</u>	<u>10,963,342</u>	<u>(10,408,513)</u>	<u>401,000</u>	<u>9,989,529</u>
<b>Unrestricted funds</b>					
Astro-turf pitch sinking fund	-	-	-	147,389	147,389
Other unrestricted funds	1,408,952	333,715	(218,468)	(147,389)	1,376,810
	<u>1,408,952</u>	<u>333,715</u>	<u>(218,468)</u>	<u>-</u>	<u>1,524,199</u>
<b>Total funds</b>	<u>10,442,652</u>	<u>11,297,057</u>	<u>(10,626,981)</u>	<u>401,000</u>	<u>11,513,728</u>

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

*General annual grant (GAG)*

The general annual grant (GAG) must be used for the normal running costs of the trust's schools. It can also be applied to capital expenditure. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

*Pupil premium funding*

Pupil premium funding must be used to address inequalities between children eligible for free school meals and their peers.

*SEN funding*

SEN funding must be spent supporting pupils with statements of special educational needs.

*School Fund*

The School Fund holds contributions towards school trips and similar activities.

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**17. FUNDS (continued)**

*Conversion Fund*

The conversion fund holds grants received to cover the costs of legal and professional advice, software licences, and re-branding and other costs associated with the conversion of new schools from state maintained school to an academy within Castle School Education Trust.

*Pension reserve*

The pension reserve holds the trust's share of the Local Government Pension Scheme deficit.

*DfE/EFA capital grants*

Devolved capital grants can be used for capital expenditure and repairs to enhance the fabric of school buildings.

*Inherited capital funds*

The trust's schools received unspent capital funds from predecessor schools. The trust must respect the original restriction on these funds and so they must be spent on capital projects.

*Inherited fixed assets*

The amount of inherited fixed assets represents the depreciated replacement cost of the predecessor schools' land and buildings and the fair value of equipment, which was transferred to the academy trust on conversion.

*Astro-turf pitch sinking fund*

This is a designated fund created by the directors to comply with the requirements of the funders of the Castle School's astro-turf pitch. The fund is to be used for the repair and maintenance of the astro-turf pitch.

*Other unrestricted funds*

Unrestricted funds are available to be spent on any purpose within the trust's charitable objects.

**20. ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2014 were allocated as follows:

	<b>£</b>
Charfield Primary School	84,289
The Castle School	1,776,842
	1,861,131
Total before fixed assets and pension reserve	1,861,131
Restricted fixed asset fund	11,186,597
Pension reserve	(1,534,000)
	11,513,728
<b>Total</b>	<b>11,513,728</b>

**21. ANALYSIS OF ACADEMIES BY COSTS**

	<b>Teaching and educational support staff costs</b>	<b>Other support staff costs</b>	<b>Educational supplies</b>	<b>Other costs (excluding depreciation)</b>	<b>Total</b>
	£	£	£	£	£
Charfield Primary School	512,013	54,543	11,791	163,086	741,433
The Castle School	6,465,567	990,191	136,091	1,604,813	9,196,662
	6,977,580	1,044,734	147,882	1,767,899	9,938,095
	6,977,580	1,044,734	147,882	1,767,899	9,938,095

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**22. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Fund balances at 31 August 2014 are represented by:

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total Funds £
Tangible fixed assets	-	-	11,179,977	11,179,977
Current assets	1,524,199	1,090,946	6,620	2,621,765
Current liabilities	-	(754,014)	-	(754,014)
Pension scheme liability	-	(1,534,000)	-	(1,534,000)
<b>Total net assets</b>	<b>1,524,199</b>	<b>(1,197,068)</b>	<b>11,186,597</b>	<b>11,513,728</b>

**23. FINANCIAL COMMITMENTS**

**Operating leases**

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

	2014 £	2013 £
Other (not land and buildings):		
Expiring within one year	14,718	-
Expiring within two and five years inclusive	-	15,941
	<b>14,718</b>	<b>15,941</b>

**24. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year to 31 August 2014 £	7 months to 31 August 2013 £
Net income	670,076	10,378,652
Donation - cash transferred on conversion	(73,736)	(1,540,473)
Donation - fixed assets less pension liability transferred on conversion	(1,233,364)	(8,896,113)
Depreciation	686,696	296,372
Loss on disposal of fixed assets	2,190	-
Capital grants from DfE and other capital income	(38,701)	(33,244)
Interest receivable	(2,332)	(853)
FRS 17 pension cost less contributions payable	47,000	24,000
FRS 17 pension finance income	58,000	25,000
(Increase)/decrease in debtors	15,108	(253,765)
Increase/(decrease) in creditors	61,287	687,343
<b>Net cash inflow from operating activities</b>	<b>192,224</b>	<b>686,919</b>

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Year to 31 August 2014 £	7 months to 31 August 2013 £
<b>Returns on investments and servicing of finance</b>		
Interest received	2,332	853
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>2,332</u>	<u>853</u>
	Year to 31 August 2014 £	7 months to 31 August 2013 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(77,390)	(107,984)
Capital grants from DfE/EFA	38,701	33,244
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(38,689)</u>	<u>(74,740)</u>
	Year to 31 August 2014 £	7 months to 31 August 2013 £
<b>Management of liquid resources</b>		
Cash placed on short term deposits	(1,000,000)	-
<b>Net cash outflow from management of liquid resources</b>	<u>(1,000,000)</u>	<u>-</u>

26. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 September 2013 £	Cash flows £	At 31 August 2014 £
Cash at bank and in hand	2,153,505	(770,397)	1,383,108
Liquid resources: short-term deposits	-	1,000,000	1,000,000
	<u>2,153,505</u>	<u>229,603</u>	<u>2,383,108</u>

27. 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 28. PENSION AND SIMILAR OBLIGATIONS

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

The LGPS obligation relates to the employees of the academy trust, who include the employees transferred as part of the conversion described in Note 30 and new employees who were eligible to, and did, join the Scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £122,239 (2013 - £109,379) were payable to the schemes at 31 August 2013 and are included within other creditors.

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

##### *Introduction*

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

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

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

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

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

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

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

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 28. PENSION AND SIMILAR OBLIGATIONS (continued)

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

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

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

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

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

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

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

##### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £359,000, of which employer's contributions totalled £268,000 and employees' contributions totalled £91,000. The agreed contribution rates for future years are 13% per cent for employers and 5.5%-12.5% per cent for employees, depending on salary band.

The LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained schools and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor schools and the academy trust at the balance sheet date.

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

28. PENSION AND SIMILAR OBLIGATIONS (continued)

Principal actuarial assumptions	At 31 August 2014	At 31 August 2013
Rate of increase in salaries	3.6%	3.9%
Rate of increase for pensions in payment/inflation	2.1%	2.4%
Discount rate for scheme liabilities	3.9%	4.5%
Inflation assumption (CPI)	2.1%	2.4%
<b>Sensitivity analysis on the principle actuarial assumptions</b>	<b>At 31 August 2014</b>	<b>At 31 August 2013</b>
	£	£
Increase/(decrease) in deficit:		
Discount rate increased by 0.1% per annum	(86,000)	(59,000)
Inflation increased by 0.1% per annum	86,000	60,000
Life expectancy increased by 1 year	70,000	58,000

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

	At 31 August 2014	At 31 August 2013
<i>Retiring today</i>		
Males	23.3	22.9
Females	25.8	25.9
<i>Retiring in 20 years</i>		
Males	25.7	25.2
Females	28.7	28.2

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

	Expected return at 31 August 2014	Fair values at 31 August 2014	Expected return at 31 August 2013	Fair values at 31 August 2013
		£		£
Equities	7.0%	1,429,000	7.0%	1,068,000
Government bonds	2.9%	223,000	3.4%	177,000
Other bonds	3.8%	278,000	4.4%	146,000
Property	6.2%	197,000	5.7%	118,000
Cash/liquidity	0.5%	86,000	0.5%	30,000
Other	7.0%	381,000	7.0%	118,000
<b>Total market value of assets</b>		<b>2,594,000</b>		<b>1,657,000</b>
Present value of scheme liabilities				
- Funded		(4,128,000)		(3,366,000)
<b>Deficit in the scheme</b>		<b>(1,534,000)</b>		<b>(1,709,000)</b>

The actual return on scheme assets was £207,000 (2013 - £41,000).

CASTLE SCHOOL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

28. PENSION AND SIMILAR OBLIGATIONS (continued)

<b>Amounts recognised in the statement of financial activities</b>	<b>Year to 31 August 2014 £</b>	<b>7 months to 31 August 2013 £</b>
Current service cost (net of employee contributions)	<b>315,000</b>	149,000
Past service cost	-	-
Total operating charge	<b>315,000</b>	149,000
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	<b>109,000</b>	45,000
Interest on pension liabilities	<b>(167,000)</b>	(70,000)
<b>Pension finance income/(costs)</b>	<b>(58,000)</b>	(25,000)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £465,000 (2013 - £64,000) gain.

<b>Movements in the present value of defined benefit obligations were as follows:</b>	<b>Year to 31 August 2014 £</b>	<b>7 months to 31 August 2013 £</b>
<b>At 1 September</b>	<b>3,366,000</b>	-
Transferred from predecessor school on conversion	<b>197,000</b>	3,164,000
Current service cost	<b>315,000</b>	149,000
Interest cost	<b>167,000</b>	70,000
Employee contributions	<b>91,000</b>	43,000
Actuarial (gain)/loss	<b>119,000</b>	(60,000)
Benefits paid	<b>(127,000)</b>	-
Past service cost	-	-
Curtailments and settlements	-	-
<b>At 31 August</b>	<b>4,128,000</b>	3,366,000

<b>Movements in the fair value of academy's share of scheme assets:</b>	<b>Year to 31 August 2014 £</b>	<b>7 months to 31 August 2013 £</b>
<b>At 1 September</b>	<b>1,657,000</b>	-
Transferred from predecessor school on conversion	<b>76,000</b>	1,440,000
Expected return on assets	<b>109,000</b>	45,000
Actuarial gain/(loss)	<b>520,000</b>	4,000
Employer contributions	<b>268,000</b>	125,000
Employee contributions	<b>91,000</b>	43,000
Benefits paid	<b>(127,000)</b>	-
<b>At 31 August</b>	<b>2,594,000</b>	1,657,000

The estimated value of employer contributions for the year ended 31 August 2015 is £287,000.

**CASTLE SCHOOL EDUCATION TRUST**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**28. PENSION AND SIMILAR OBLIGATIONS (continued)**

The five-year history of experience adjustments is as follows:

	2014 £	2013 £	2012 £	2011 £	2010 £
<b>Present value of defined obligations</b>	<b>4,128,000</b>	3,366,000	n/a	n/a	n/a
<b>Fair value of share of scheme assets</b>	<b>2,594,000</b>	1,657,000	n/a	n/a	n/a
<b>Deficit in the scheme</b>	<b>1,534,000</b>	1,709,000	n/a	n/a	n/a
<b>Experience adjustments on share of scheme assets</b>	<b>520,000</b>	4,000	n/a	n/a	n/a
<b>Experience adjustments on scheme liabilities</b>	<b>(19,000)</b>	-	n/a	n/a	n/a

**29. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy trust's operations and the composition of the board of directors being drawn from local public and private sector organisations, transactions may take place with organisations in which a director has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures.

Director Rhona Allgood invoiced the trust £3,730 (7 months to 31 August 2013: £nil) for services as company secretary.

## CASTLE SCHOOL EDUCATION TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

#### 30. CONVERSION TO AN ACADEMY TRUST

On 1 September 2013 Charfield Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to academy trust from South Gloucestershire Council for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as voluntary income expended.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
- Leasehold land and buildings	-	-	1,350,000	1,350,000
- Other tangible fixed assets	-	-	4,364	4,364
Budget surplus on LA fund	66,042	-	-	66,042
Budget surplus on other school funds	-	7,694	-	7,694
LGPS pension deficit	-	(121,000)	-	(121,000)
<b>Net assets</b>	<b>66,042</b>	<b>(113,306)</b>	<b>1,354,364</b>	<b>1,307,100</b>

The above net assets include £73,736 that was transferred as cash.

The school's land and buildings are occupied by the trust under a 125 year lease with South Gloucestershire Council with a peppercorn rent.

#### 31. POST BALANCE SHEET EVENTS

On 1 September 2014 Severn Beach Primary School and on 1 November 2014 Marlwood School converted to academy trust status under the Academies Act 2010 and became the responsibility of Castle School Education Trust. The operations and assets and liabilities of the schools were transferred to the trust from South Gloucestershire Council for £nil consideration.