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**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

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**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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COMPANIES HOUSE

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**THE ARNEWOOD SCHOOL**  
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2013**

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**Trustees**

Mrs E Cook, Chair<sup>1</sup>  
Mr C Hummerstone, Head Teacher<sup>1</sup>  
Cllr G Beck<sup>1 2</sup>  
Mrs E Gillmon<sup>1,2</sup>  
Mrs M Hughes<sup>1,2</sup>  
Mr A Maugham<sup>1 2</sup>  
Cllr A O'Sullivan<sup>1 2</sup>  
Mrs E Reed<sup>1,2</sup>  
Mr R Wilkins<sup>1 2</sup>  
Mr N Pressnell<sup>1 3</sup>  
Mr R Williamson<sup>1,3</sup>  
Mrs J Young<sup>1,3</sup>  
Mrs S Byrne (resigned 27 February 2013)<sup>4</sup>  
Mr S Hayes<sup>1,4</sup>  
Professor D Richards<sup>1 4</sup>

<sup>1</sup> Statutory director registered at Companies House

<sup>2</sup> Community governor

<sup>3</sup> Staff governor

<sup>4</sup> Parent governor

**Company registered number**

07546874

**Principal and registered office**

Gore Road, New Milton, Hampshire, BH25 6RS

**Company secretary**

Mrs V Woods

**Members**

Mrs E Cook  
Mr L Daniels  
Mr R Farmer  
Mr H Green  
Mr J Harris  
Mr A Maugham

**Senior leadership team**

Mr C Hummerstone, Headteacher, Chief Executive Officer & Accounting Officer  
Mr N Pressnell, Deputy Headteacher  
Mr M Horswell, Deputy Headteacher  
Mr H Roberts, Assistant Headteacher  
Mrs S Stroud, Assistant Headteacher & Advanced Skills Teacher  
Mr C Price, Assistant Headteacher  
Mr D Cornford, Assistant Headteacher (acting)  
Mr G Jagger, Special Educational Needs Co-ordinator  
Mr P Barrett, Advanced Skills Teacher

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2013**

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**Advisers (continued)**

**Independent auditors**

Hopper Williams & Bell Limited, Highland House, Mayflower Close, Chandlers Ford, Eastleigh, Hampshire, SO53 4AR

**Bankers**

Lloyds Bank Plc, 25 High Street, Ringwood, Hampshire, Dorset, BH24 1BD

**Solicitors**

Blake Lapthorn, New Kings Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3LG

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**THE ARNEWOOD SCHOOL**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Arnewood School (the Academy) for the year ended 31 August 2013. The Trustees confirm that the Annual report and financial statements of the Academy comply with the current statutory requirements, the requirements of the Academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

**Structure, governance and management**

**a. CONSTITUTION**

The academy trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the academy trust.

The governors act as the trustees for the charitable activities of The Arnewood School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as The Arnewood School.

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

**b. 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.

**c. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES**

The Members may appoint up to seven Directors.

The Members may appoint Staff Directors through such process as they may determine provided that the total number of Directors including the Chief Executive Officer who are employees of the Company does not exceed one third of the total number of Directors. Normally and by preference Staff Directors shall include teaching and non-teaching staff.

The Chairman and/or a Director can invite interested persons to join the Governing Body, in particular individuals who have specific skills to bring to the group. The appointment of any new Director is undertaken by the full Governing Body.

Parent Directors

Parent Directors shall be elected by the Parent members of the Local Governing Bodies (who shall themselves have been elected or appointed in accordance with the terms of reference determined by the Directors from time to time) from amongst their number. The elected Parent Directors must be a parent of a registered pupil at one of the Academies at the time when s/he is elected.

The number of Parent Directors required shall be made up by Parent Directors appointed by the Directors if the number of parents standing for election is less than the number of vacancies.

The Directors shall make all necessary arrangements for, and determine all other matters relating to, an election of the Parent Directors, including any question of whether a person is a parent of a registered pupil at one of the Academies. Any election of the Parent Directors which is contested shall be held by secret ballot.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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In appointing a Parent Director the Directors shall appoint a person who is the parent of a registered pupil at an Academy, or where it is not reasonably practical to do so, a person who is the parent of a child of compulsory school age

The process for recruiting a Parent Director is by ballot. Parents are notified of vacancy and invited to apply. Clerk to the Governing Body will receive nominations and will open on the date and time specified.

Chief Executive Officer

The Chief Executive Officer shall be a Director for as long as s/he remains in office as such.

Co-Opted Directors

The Directors may appoint up to 3 Co-opted Directors. A 'Co-opted Director' means a person who is appointed to be a Director by being Co-opted by Directors who have not themselves been so appointed. The Directors may not co-opt an employee of the Company as a Co-opted Director if thereby the number of Directors who are employees of the Company would exceed one third of the total number of Directors including the Chief Executive Officer.

**d. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES**

The Chairman meets all new Governors on a 1:1 basis, and new Governors are issued with

- The Governors' Guide to the Law
- Governors' Handbook
- Staff Handbook
- School brochures
- Health & Safety Policy
- School Improvement Plan
- Minutes of all meetings
- Committee terms of reference
- Code of practice
- Any other strategic documentation distributed by the Headteacher
- Desirable competencies of Governing Body members

Training is undertaken both "in house" and via an external provider. An audit of Governor skills is undertaken annually.

**e. ORGANISATIONAL STRUCTURE**

The Senior Leadership Team consists of the Headteacher, two Deputy Headteachers, five Assistant Headteachers, and an Advanced Skills Teacher. The Headteacher is Chief Executive and Accounting Officer. The Scheme of Delegation identifies the responsibilities of the Governing Body while the day to day management of the Academy has been devolved to the Senior Leadership Team.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**f. RISK MANAGEMENT**

A risk register was in place prior to conversion to Academy status. This was reviewed regularly and has continued to be reviewed on a regular basis since conversion.

The major financial risks have been identified as fluctuations in student numbers due to political, economic and social pressures, resulting in inconsistent funding which will be managed by three year budget forecasts allowing time to plan for possible shortfalls in funding.

A Statement on Internal Control was also in place prior to conversion and has been adopted subsequent to conversion and is monitored on a regular basis.

**g. TRUSTEES' INDEMNITIES**

In accordance with normal commercial practice, the Academy has insurance in place to protect Governors and officers from claims arising against negligent acts, errors, or omissions occurring whilst on Academy business. The Governors' liability is insured with an indemnity limit of £5m.

**h. PRINCIPAL ACTIVITIES**

The Academy Trust's objects, as set out in the Articles of Association, is to provide secondary education for public benefit by establishing, maintaining, carrying on, managing and developing the Academy by offering a broad and balanced curriculum with an emphasis on elearning.

It continues to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing the Academy by offering a broad and balanced curriculum, and if and to the extent the Directors may decide from time to time, to promote for the benefit of the inhabitants of the community in which the Academy is located and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants, and any other charitable purpose.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**Objectives and Activities**

**a. OBJECTIVES, STRATEGIES AND ACTIVITIES**

In 2010 the School Improvement Partner's and OFSTED (2008) assessment of good in all areas matched that of the school. In January 2013 OFSTED judged the Arnewood School to be outstanding. The curriculum was judged to be 'outstanding'. The medium term aim for the Academy is to sustain outstanding. To do so will require the following key features:

**Excellent reputation:**

- Local partnership and collaboration
- national
- international

**High Quality learning behaviours:**

- Consistent discipline/attendance
- Facing facts – transforming performance and opening minds
- reducing inhibitors to high performance
- effective CPD/coaching to be 'outstanding'
- mature emotional intelligence, trust and sustained relationships

**Excellent Leadership.**

- Aims and ethos – everybody included
- Vision and aspiration
- High interpersonal skills
- Distributed responsibility and collaboration
- Succession planning/encouraging talent

**Transforming.**

- Information
- Identification
- Intervention (appropriately)
- Impact

**High Academic Standards**

- KS3 – above 85% Level 5
- KS4 – above 90% 5 A\*-C
- English/Maths/Science – 70% and above including 5 A\*-C
- Post 16 – BBB average/above – (ALPS grade 3)
- 3 Specialisms add value
- All students achieve well – appropriate curriculum, assessment, teaching and learning styles

**Every Child Matters and every member of staff:**

- Safe
- Healthy
- Achieving and Enjoying
- Participating
- Enterprising

"Children – all children – deserve the best we can give them because for the great teacher the individual child is at the very centre" (Sir Alec Clegg)

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**To achieve and sustain excellence by**

- Providing a diversity of teaching and learning styles in a positive environment
- Celebrating and supporting all those who respect the values of The Arnewood School
- Encouraging a sense of belonging to The Arnewood School and contributing to that identity in the local community

**2012-13 aims.**

**Teaching & learning**

- 1 1 Quality of teaching & learning - at least 90% of lessons observed are good/outstanding in 2012-13
- 1 2 Literacy, numeracy, ICT embedded across all areas - every child achieves 12 10 reading age
- 1 3 High attainment and progress for all students - increase KS4 APS and A\*/A at GCSE on 2012 results (APS 355, A\*/A - 27.5%) Post-16 LAT VA score > 3.5 Increase in number of A\* at A2 on 2012 results (11)

**Inclusive practice**

- 2 1 Alternative provision - accredited qualification achieved from alternative placement Reduce 2011/12 cost by at least 10% (to be below £35,000)
- 2 2 Attendance & punctuality - at least 95% overall attendance rate (95% 2011-12)
- 2 3 High quality behaviours for learning - reduce 1) exclusion rate (39 - 2012) 2) M47 detentions by 25% (to be less than 3,000 per year)

**Professional learning community**

- 3 1 CPD linked to performance management & teacher standards - CPD requests & evaluations demonstrate how PM need satisfied
- 3 2 CPD linked to lesson observations and bluesky programme - lesson observations and subsequent support show improvement in individual classroom performance
- 3 3 The Arnewood professional Pathways (TAPP) - gaps in existing provision filled Staff take-up of development opportunities explicit and the impact evaluated

**Learning community**

- 4 1 Evaluate emerging e-learning opportunities against existing provision - continued rate of e-learning leading to an increased rate of work setting on VLE on 2011-12 rate
- 4 2 Enhanced site and physical learning environment - building projects and repairs are completed within deadline and on budget

**Curriculum development**

- 5 1 Curriculum development - 3yr KS4 modeals designed and evaluated, at least 20% achieving English Baccalaureate, post-16 curriculum reviewed
- 5 2 SMSC - 1) Explicit in SofW and 2) evident in at least 95% of lessons observed New PDL programme implemented across the school

**b PUBLIC BENEFIT**

The academy trust governors have complied with their duty to provide goods, services and social benefit for the general public to support the primary objective of the academy trust without providing a financial return for any individual within the academy trust

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**Achievements and performance**

**a. KEY FINANCIAL PERFORMANCE INDICATORS**

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

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

**b. REVIEW OF ACTIVITIES**

**GT1 – Teaching and Learning**

- 85 % of lessons overall – 90% in Years 8 & 10 (7% increase from 2011 – 12) See separate data for GCSE
- Significant gaining in SEN but not testing for whole school against 12 10 benchmark
- Post 16 - 29A\* or equivalent at Level 3 (11 in 2011 – 12)

**GT2 – Inclusive Practice.**

- Attendance currently at 95.52% (target 95%)
- Costing for alternative placements likely to be in excess of target £35k (see plan to have more local solution)
- Exclusions down to 25 (35 in 2011-12) Detentions increased, the latter because of early term action to maintain high standards of uniform

**GT3 – Professional Learning Community**

- Teachers Pay completed, with greater linking between School Improvement Plan (SIP) Performance Management and CPD and recorded on Blue Sky program
- Support staff performance monitored, new Pay and Conditions to be considered in 2013-14 and implemented at interim stage
- New career pathway of Advanced Practitioners introduced in advance of new School Teachers Pay and Conditions (April 2013)

**GT4 – E-learning and site provision:**

- All the projects completed on time and within budgets

**GT5 – Curriculum Development**

- Ongoing discussions about KS2-3 transition and two year KS3 into 2013-14 Use of IRIS Connect lesson observation program to link with Hordle School practice
- Lesson observations of Life Skills/Spiritual, Moral, Social and Cultural provision to be maintained in 2013/14 Entered on BlueSky program as part of lesson observation process (2013-14)

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**c. GOING CONCERN**

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

**Financial review**

**a. SUMMARY**

The majority of income is received in the form of General Annual Grant funding received from the EFA and expenditure of this is restricted to the purpose of providing education and other activities as defined in the Funding Statement, identified above as the principle activities of the Academy. The General Annual Grant has been spent in accordance with the Funding Agreement and details can be found in the Statement of Financial Activities. Any shortfall in funds from the EFA to meet the Academy's costs was provided by income generated from educational activities.

A capital grant awarded during 2011/12 for replacement of boilers serving the Scola Block was completed during the financial year. A further capital grant for updating the fire alarm system was awarded during 2012/13 and is due to be completed in the next financial year although the majority of work was carried out in this financial year. The combined restricted and unrestricted funds (excluding restricted fixed asset funds) of the academy show an operating surplus after a large capital investment from Academy funds to improve teaching and administration facilities.

The Academy holds interest-paying current accounts with Lloyds Bank and any surplus funds are placed in a daily rolling Treasury Deposit with Lloyds Bank.

**b. PRINCIPAL RISKS AND UNCERTAINTIES**

The main school boilers and fire alarm system have been replaced and upgraded over the last two years. However, part of the school is still operating out of two pre-fab constructed buildings which are not energy efficient. The Academy's allocation of the Local Government Pension Scheme shows an increasing deficit during the period of the financial statements.

**c. RESERVES POLICY**

The Academy has restricted reserves amounting to £16,845 to be used for maintenance and improvement of the premises and equipment. Ideally the Governing Body would wish to carry forward restricted reserves of £250,000 to guard against future changes to income and the EFA has now relaxed its policy on carry forward amounts to enable this to happen. The pension deficit of £738,000 has not been included in this figure as it is not an immediate liability and is expected to be recouped over a twenty-five year period. The Academy currently has unrestricted reserves of £392,076 which will be used to enhance teaching and learning over the coming years.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**d. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Academy holds the following policies in relation to the above

- Fraud Policy
- Scheme of Delegation
- Finance Manual
- Reserves Policy
- Anti-Bribery Policy
- Business Continuity Plan
- Risk Register
- Fixed assets and depreciation policy

**e RESTRICTED FUNDS**

In the period, the Academy has received General Annual Grant (GAG) and other restricted income totalling £6,852,423. Expenditure on GAG activities was £6,626,517 and expenditure on fixed assets was £365,647. At the period end, the Academy holds restricted funds of £13,687,509. Within restricted funds is a fixed asset fund of £14,408,664, general restricted funds of £16,845, and a pension reserve deficit of £738,000.

**f. INVESTMENTS POLICY**

All funds surplus to immediate requirement are invested on treasury deposit on a daily rolling basis, enabling the maximum amount of funding to be deposited whilst still having instant access to funds. The rate of interest is considerably more than that paid on the current account.

**Plans for the future**

**a. FUTURE DEVELOPMENTS**

The Academy aims to raise the aspirations of its students, improving their achievements and preparing them for a successful future at university or in the workplace.

The Academy will continue to strive to secure capital grants in order to improve the buildings and teaching facilities, and to continue to build on the already strong links with the surrounding junior schools by way of outreach work.

The Arnewood School has submitted a bid to become a Teaching School and is in the process of submitting a bid to open a Free School for Alternative Provision. The Arnewood School is also exploring funding opportunities for an Astroturf pitch.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

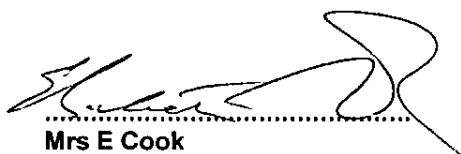
Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that

- so far as that the Trustees are aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that the Trustees have taken all the steps that ought to have been taken as Trustees in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information

**AUDITORS**

The auditors, Hopper Williams & Bell Limited, have indicated their willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditors at a meeting of the Trustees.

This report was approved by order of the board of trustees on 11/12/13 and signed on its behalf by



**Mrs E Cook**  
Chair of Trustees

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**THE ARNEWOOD SCHOOL**  
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**GOVERNANCE STATEMENT**

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**SCOPE OF RESPONSIBILITY**

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

The board of trustees has delegated the day-to-day responsibility to the Head Teacher, as Accounting Officer, for ensuring financial controls conform 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 The Arnewood School and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

**GOVERNANCE**

The information on governance included here supplements that described in the Trustees' report and in the Trustees' responsibilities statement. The board of trustees has formally met 4 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mrs E Cook, Chair	4	4
Mr C Hummerstone, Head Teacher	4	4
Cllr G Beck	3	4
Mrs E Gillmon	2	4
Mrs M Hughes	3	4
Mr A Maugham	3	4
Cllr A O'Sullivan	3	4
Mrs E Reed	4	4
Mr R Wilkins	4	4
Mr N Pressnell	3	4
Mr R Williamson	4	4
Mrs J Young	2	4
Mrs S Byrne	2	2
Mr S Hayes	3	4
Professor D Richards	3	4

The Finance and General Purposes Committee is a sub-committee of the main board of trustees. Its purpose is to review and approve the Academy's annual budget, review and approve financial policies and monitor expenditure and variances against the budget.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mrs E Cook, Chair	5	5
Mr C Hummerstone, Head Teacher	5	5
Mr A Maugham	5	5
Cllr A O'Sullivan	5	5
Mr N Pressnell	4	5
Professor D Richards	2	5
Cllr G Beck	5	5

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**GOVERNANCE STATEMENT (continued)**

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**THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Arnewood School for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements.

**CAPACITY TO HANDLE RISK**

The board of trustees has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy's significant risks, that has been in place for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

**THE RISK AND CONTROL FRAMEWORK**

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Mr A Maugham, a Trustee, as Responsible Officer (RO).

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

**REVIEW OF EFFECTIVENESS**

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

- the work of the Responsible Officer,
- the work of the external auditors,
- the financial management and governance self-assessment process,
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework

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**GOVERNANCE STATEMENT (continued)**

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

Approved by order of the members of the board of trustees on 11/12/2013 and signed on their behalf, by

  
**Mrs E Cook**  
Chair of Trustees

  
.....  
**Mr C Hummerstone**  
Accounting Officer

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of The Arnewood School I have considered my responsibility to notify the Academy board of trustees 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 and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012)

I confirm that I and the Academy board of trustees are able to identify any material, irregular or improper use of funds by the Academy, or material non-compliance with the terms and conditions of funding under the Academy's funding agreement and the Academies Financial Handbook (2012)

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date



.....  
**Mr C Hummerstone**  
Accounting Officer

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**TRUSTEES' RESPONSIBILITIES STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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The Trustees (who act as governors of The Arnewood School and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction 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 Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to

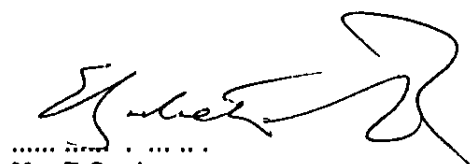
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles of the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 11/12/2013 and signed on its behalf by



.....  
**Mrs E Cook**  
Chair of Trustees

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ARNEWOOD SCHOOL**

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We have audited the financial statements of The Arnewood School for the year ended 31 August 2013 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

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

**RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the Academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Academy's affairs as at 31 August 2013 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 issued by the Education Funding Agency.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ARNEWOOD SCHOOL**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

*Hopper Williams & Bell Limited*

Richard Hurst FCA (Senior statutory auditor)  
for and on behalf of

**Hopper Williams & Bell Limited**

Statutory Auditor

Highland House

Mayflower Close

Chandlers Ford

Eastleigh

Hampshire

SO53 4AR

Date

*16 December 2013*

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE ARNEWOOD SCHOOL AND THE EDUCATION FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 11 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Arnewood School during the year 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to The Arnewood School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Arnewood School 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 Arnewood School and the EFA, for our work, for this report, or for the conclusion we have formed

**RESPECTIVE RESPONSIBILITIES OF THE ARNEWOOD SCHOOL'S ACCOUNTING OFFICER AND THE REPORTING AUDITORS**

The accounting officer is responsible, under the requirements of The Arnewood School's funding agreement with the Secretary of State for Education dated 1 May 2011, and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them

**APPROACH**

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

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

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

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

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE ARNEWOOD SCHOOL AND THE EDUCATION FUNDING AGENCY (continued)**

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**SUMMARY OF WORK UNDERTAKEN**

We carried out the following

- planning of assurance procedures including identifying key risks,
- substantive testing including analytical review,
- concluding on procedures carried out

Substantive testing included the following procedures

- confirming that activities conform to the Academy's framework of authorities,
- considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance,
- evaluating the general control environment of the Academy,
- testing a sample of transactions to consider whether the transaction is permissible within the Academy's framework of authorities,
- confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained,
- reviewing documentation for evidence of borrowing and confirming if approval was obtained from the EFA,
- confirming whether EFA approval was obtained for any disposals of assets,
- reviewing the internal control procedures relating to credit cards,
- reviewing for any indication of purchases for personal use by staff or officers,
- reviewing the list of suppliers to consider whether supplies are from related parties,
- considering whether income generating activities are permissible within the Academy's charitable objects,
- reviewing whether lettings to related parties are made at favourable rates

**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 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

*Hopper Williams & Bell Limited*

Richard Hurst FCA (Senior statutory auditor)  
for and on behalf of

**Hopper Williams & Bell Limited**

Statutory Auditor

Highland House

Mayflower Close

Chandlers Ford

Eastleigh

Hampshire

SO53 4AR

Date *16 December 2013*

**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES**  
(Incorporating income and expenditure account and statement of recognised gains and losses)  
FOR THE YEAR ENDED 31 AUGUST 2013

	Note	Un-restricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds						
Transfer from trust school on conversion	2	-	-	-	-	13,562,800
Other voluntary income	2	4,836	-	-	4,836	21,307
Activities for generating funds	3	9,265	-	-	9,265	16,894
Investment income	4	1,904	-	-	1,904	2,306
Incoming resources from charitable activities	5	13,156	6,667,268	185,155	6,865,579	9,918,581
<b>TOTAL INCOMING RESOURCES</b>		<b>29,161</b>	<b>6,667,268</b>	<b>185,155</b>	<b>6,881,584</b>	<b>23,521,888</b>
<b>RESOURCES EXPENDED</b>						
Costs of generating funds						
Costs of generating voluntary income		-	1,877	-	1,877	9,240
Charitable activities	7	-	6,600,406	374,195	6,974,601	9,046,955
Governance costs	6	-	24,234	-	24,234	51,980
<b>TOTAL RESOURCES EXPENDED</b>	<b>8</b>	<b>-</b>	<b>6,626,517</b>	<b>374,195</b>	<b>7,000,712</b>	<b>9,108,175</b>
<b>NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS</b>		<b>29,161</b>	<b>40,751</b>	<b>(189,040)</b>	<b>(119,128)</b>	<b>14,413,713</b>

**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

	<b>Note</b>	<b>Un- restricted funds 2013 £</b>	<b>Restricted funds 2013 £</b>	<b>Restricted fixed asset funds 2013 £</b>	<b>Total funds 2013 £</b>	<b>Total funds 2012 £</b>
Transfers between Funds	17	-	(140,277)	140,277	-	-
<b>NET INCOME / (EXPENDITURE) FOR THE YEAR</b>		<b>29,161</b>	<b>(99,526)</b>	<b>(48,763)</b>	<b>(119,128)</b>	<b>14,413,713</b>
Actuarial gains and losses on defined benefit pension schemes		-	18,000	-	18,000	(233,000)
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>29,161</b>	<b>(81,526)</b>	<b>(48,763)</b>	<b>(101,128)</b>	<b>14,180,713</b>
<i>Total funds at 1 September 2012</i>		<i>362,915</i>	<i>(639,629)</i>	<i>14,457,427</i>	<i>14,180,713</i>	<i>-</i>
<b>TOTAL FUNDS AT 31 AUGUST 2013</b>		<b>392,076</b>	<b>(721,155)</b>	<b>14,408,664</b>	<b>14,079,585</b>	<b>14,180,713</b>

All activities relate to continuing operations

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

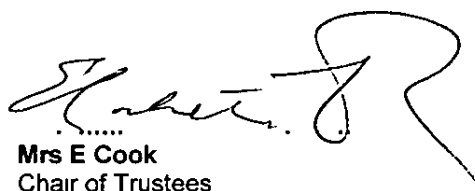
The notes on pages 25 to 44 form part of these financial statements

**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**  
**REGISTERED NUMBER: 07546874**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2013**

	Note	£	2013 £	£	2012 £
<b>FIXED ASSETS</b>					
Tangible assets	13		14,408,664		14,417,842
<b>CURRENT ASSETS</b>					
Stocks	14	2,300		1,779	
Debtors	15	172,818		176,969	
Cash at bank and in hand		386,237		606,358	
		<u>561,355</u>		<u>785,106</u>	
<b>CREDITORS</b> amounts falling due within one year	16	(152,434)		(310,235)	
<b>NET CURRENT ASSETS</b>			<u>408,921</u>		<u>474,871</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>14,817,585</u>		<u>14,892,713</u>
Defined benefit pension scheme liability	23	(738,000)		(712,000)	
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>14,079,585</u></u>		<u><u>14,180,713</u></u>
<b>FUNDS OF THE ACADEMY</b>					
Restricted funds					
Restricted funds	17	16,845		72,371	
Restricted pension reserve	17	(738,000)		(712,000)	
Restricted fixed asset funds	17	14,408,664		14,457,427	
Total restricted funds			<u>13,687,509</u>		<u>13,817,798</u>
Un-restricted funds	17		<u>392,076</u>		<u>362,915</u>
<b>TOTAL FUNDS</b>			<u><u>14,079,585</u></u>		<u><u>14,180,713</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 11/12/2013 and are signed on their behalf, by

  
**Mrs E Cook**  
Chair of Trustees

The notes on pages 25 to 44 form part of these financial statements

**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 AUGUST 2013**

	Note	2013 £	2012 £
Net cash flow from operating activities	19	(42,163)	963,939
Returns on investments and servicing of finance	20	1,904	2,306
Capital expenditure and financial investment	20	(179,862)	(477,434)
Cash transferred on conversion to an academy trust		-	117,547
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(220,121)</b>	<b>606,358</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS  
FOR THE YEAR ENDED 31 AUGUST 2013**

	2013 £	2012 £
(Decrease)/Increase in cash in the year	(220,121)	606,358
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>(220,121)</b>	<b>606,358</b>
Net funds at 1 September 2012	606,358	-
<b>NET FUNDS AT 31 AUGUST 2013</b>	<b>386,237</b>	<b>606,358</b>

The notes on pages 25 to 44 form part of these financial statements

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 issued by the EFA, applicable accounting standards and the Companies Act 2006.

**1.2 Fund accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 Department for Education.

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

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**1 ACCOUNTING POLICIES (continued)**

**1.3 Incoming resources**

All incoming resources are included in the Statement of financial activities when the Academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability

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 year 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 provided to the Academy 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.

The value of donated services and gifts in kind provided to the Academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy 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 the Academy's policies.

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**1. ACCOUNTING POLICIES (continued)**

**1.4 Resources expended**

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

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

Charitable activities are costs incurred in the Academy's educational operations.

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

All resources expended are inclusive of irrecoverable VAT.

**1.5 Going concern**

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

**1.6 Tangible fixed assets and depreciation**

All assets costing more than £500 are capitalised.

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 are 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's depreciation policy.

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Plant and machinery	-	10% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	25% straight line

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**THE ARNEWOOD SCHOOL**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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**1. ACCOUNTING POLICIES (continued)**

**1.7 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1.8 Taxation**

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

**1.9 Pensions**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least 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 the 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 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.

**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**2. VOLUNTARY INCOME**

	Un- restricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	<i>Total funds 2012 £</i>
Transfer from trust school on conversion	-	-	-	13,562,800
Donations	4,836	-	4,836	21,307
Voluntary income	4,836	-	4,836	13,584,107

**3. ACTIVITIES FOR GENERATING FUNDS**

	Un- restricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	<i>Total funds 2012 £</i>
Hire of facilities	9,265	-	9,265	16,894

**4. INVESTMENT INCOME**

	Un- restricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	<i>Total funds 2012 £</i>
Deposit account interest	1,904	-	1,904	2,306

**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**5 FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Un- restricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
<b>DfE/EFA grants</b>				
General Annual Grant (GAG)	-	5,812,840	5,812,840	8,088,982
DfE/EFA start up grants	-	-	-	25,000
DfE/EFA capital grants	-	185,155	185,155	365,662
DfE/EFA other grants	-	208,390	208,390	496,987
	-	6,206,385	6,206,385	8,976,631
<b>Other government grants</b>				
Local authority grants	-	8,696	8,696	200,785
	-	8,696	8,696	200,785
<b>Other funding</b>				
Special educational projects	-	-	-	4,013
Other grants	-	106,606	106,606	-
Trip income	-	311,377	311,377	411,827
Examination fee income	-	5,826	5,826	-
Canteen income	-	117,547	117,547	141,053
Music tuition income	-	10,401	10,401	-
Other income	13,156	85,585	98,741	184,272
	13,156	637,342	650,498	741,165
	13,156	6,852,423	6,865,579	9,918,581

**6. GOVERNANCE COSTS**

	Un- restricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Legal and professional fees	-	11,936	11,936	41,990
Auditors' remuneration	-	6,850	6,850	7,815
Auditors' remuneration - non-audit	-	5,448	5,448	2,175
	-	24,234	24,234	51,980

**THE ARNEWOOD SCHOOL**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**7 CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS**

	Un- restricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
<b>DIRECT COSTS</b>				
Wages and salaries	-	3,831,188	3,831,188	5,151,788
National insurance	-	307,447	307,447	409,164
Pension cost	-	476,793	476,793	667,531
Educational supplies	-	102,738	102,738	131,376
Examination fees	-	113,935	113,935	161,020
Educational consultancy	-	13,450	13,450	1,054
Recruitment & support	-	23,427	23,427	40,712
Other costs	-	159,672	159,672	198,681
	-	5,028,650	5,028,650	6,761,326
<b>SUPPORT COSTS</b>				
Wages and salaries	-	374,000	374,000	498,180
National insurance	-	19,506	19,506	28,687
Pension cost	-	103,621	103,621	117,042
Depreciation	-	374,091	374,091	356,117
Technology costs	-	5	5	-
Recruitment & support	-	10,591	10,591	14,732
Maintenance of premises & equipment	-	214,780	214,780	219,369
Cleaning	-	118,767	118,767	158,567
Rent & rates	-	43,328	43,328	59,535
Energy costs	-	92,040	92,040	95,106
Insurance	-	42,002	42,002	76,025
Security & transport	-	41,902	41,902	30,699
Catering	-	84,425	84,425	102,122
Office costs	-	68,535	68,535	81,833
Trip expenditure	-	305,822	305,822	404,846
Retirement benefit costs	-	13,000	13,000	17,000
Loss on disposal of tangible fixed assets	-	104	104	4,987
Other costs	-	39,432	39,432	20,782
	-	1,945,951	1,945,951	2,285,629
	-	6,974,601	6,974,601	9,046,955

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**8. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE**

	Staff costs 2013 £	Depreciation 2013 £	Other costs 2013 £	Total 2013 £	Total 2012 £
Costs of generating voluntary income	-	-	1,877	1,877	9,240
<b>Costs of generating funds</b>	<b>-</b>	<b>-</b>	<b>1,877</b>	<b>1,877</b>	<b>9,240</b>
Direct costs	4,615,428	-	413,222	5,028,650	6,761,326
Support costs	497,127	374,091	1,074,733	1,945,951	2,285,629
<b>Charitable activities</b>	<b>5,112,555</b>	<b>374,091</b>	<b>1,487,955</b>	<b>6,974,601</b>	<b>9,046,955</b>
<b>Governance</b>	<b>-</b>	<b>-</b>	<b>24,234</b>	<b>24,234</b>	<b>51,980</b>
	<b>5,112,555</b>	<b>374,091</b>	<b>1,514,066</b>	<b>7,000,712</b>	<b>9,108,175</b>

**9. NET INCOMING RESOURCES / (RESOURCES EXPENDED)**

This is stated after charging

	2013 £	2012 £
Depreciation of tangible fixed assets - owned by the charity	374,091	356,117
Auditors' remuneration	6,850	7,815
Auditors' remuneration - non-audit	5,448	2,175

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**10. STAFF COSTS**

Staff costs were as follows

	2013 £	2012 £
Wages and salaries	4,205,188	5,649,968
Social security costs	326,953	437,851
Other pension costs (Note 23)	580,414	784,573
	<u>5,112,555</u>	<u>6,872,392</u>

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

	2013 No.	2012 No
Teachers	94	93
Administration and support	47	56
Management	9	9
	<u>150</u>	<u>158</u>

The number of employees whose emoluments fell within the following bands was

	2013 No.	2012 No
In the band £60,001 - £70,000	2	2
In the band £100,001 - £110,000	1	1
	<u>3</u>	<u>3</u>

The above employees participated in the Teachers' Pension Scheme. During the year, employer's pension contributions for these staff amounted to £33,426

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. TRUSTEES' REMUNERATION AND EXPENSES**

The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as Trustees. Other Trustees did not receive any payments, other than expenses, from the Academy in respect of their role as Trustees. The value of Trustees' remuneration fell within the following bands:

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Head Teacher	<b>105-110</b>	<b>105-110</b>
Three (2012: four) staff governors in total	<b>125-130</b>	<b>150-155</b>

During the year, employer's pension contributions for these staff amounted to £30,566.

During the year, no expenses were reimbursed to the Trustees in respect of their role as Trustees. Staff Trustees received a total of £2,671 (2012: £3,830) in respect of their staff roles.

**12. TRUSTEES' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the Academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2013 was £2,211 (2012: £2,211).

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

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**13. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>					
At 1 September 2012	14,226,296	79,292	159,277	300,876	14,765,741
Additions	119,521	121,950	54,122	70,054	365,647
Disposals	-	-	-	(1,334)	(1,334)
At 31 August 2013	14,345,817	201,242	213,399	369,596	15,130,054
<b>Depreciation</b>					
At 1 September 2012	222,159	7,929	33,765	84,046	347,899
Charge for the year	227,861	13,982	45,624	86,624	374,091
On disposals	-	-	-	(600)	(600)
At 31 August 2013	450,020	21,911	79,389	170,070	721,390
<b>Net book value</b>					
At 31 August 2013	13,895,797	179,331	134,010	199,526	14,408,664
At 31 August 2012	14,004,137	71,363	125,512	216,830	14,417,842

Included in land and buildings is freehold land at valuation upon transfer of £2,908,849 which is not depreciated

**14. STOCKS**

	2013 £	2012 £
Canteen	2,300	1,779

**15. DEBTORS**

	2013 £	2012 £
Other debtors	85,925	64,006
Prepayments and accrued income	64,769	61,276
Tax recoverable	22,124	51,687
	172,818	176,969

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**16 CREDITORS**

Amounts falling due within one year

	2013 £	2012 £
Trade creditors	40,358	88,054
Other creditors	59	56
Accruals and deferred income	112,017	222,125
	<u>152,434</u>	<u>310,235</u>
		£
<b>Deferred income</b>		
Deferred income at 1 September 2012		114,414
Resources deferred during the year		81,725
Amounts released from previous years		<u>(114,414)</u>
Deferred income at 31 August 2013		<u>81,725</u>

At the balance sheet date the academy was holding funds received in advance for school trips, cashless catering cards, laptop insurance, and a capital maintenance grant relating to 2013/14

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**17. STATEMENT OF FUNDS**

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
<b>Unrestricted funds</b>						
General funds	362,915	29,161	-	-	-	392,076
<b>Restricted funds</b>						
General Annual Grant (GAG)	67,028	5,812,840	(5,879,868)	-	-	-
Other DfE/EFA grants	5,012	208,390	(213,402)	-	-	-
Local authority grants	-	8,696	(8,696)	-	-	-
Other educational activities	331	637,342	(480,551)	(140,277)	-	16,845
Pension reserve	(712,000)	-	(44,000)	-	18,000	(738,000)
	<u>(639,629)</u>	<u>6,667,268</u>	<u>(6,626,517)</u>	<u>(140,277)</u>	<u>18,000</u>	<u>(721,155)</u>
<b>Restricted fixed asset funds</b>						
Fixed asset fund	14,417,842	-	(374,195)	365,017	-	14,408,664
DfE/EFA capital grants	39,585	23,979	-	(63,564)	-	-
Boiler/alarm system - EFA	-	161,176	-	(161,176)	-	-
	<u>14,457,427</u>	<u>185,155</u>	<u>(374,195)</u>	<u>140,277</u>	<u>-</u>	<u>14,408,664</u>
Total restricted funds	<u>13,817,798</u>	<u>6,852,423</u>	<u>(7,000,712)</u>	<u>-</u>	<u>18,000</u>	<u>13,687,509</u>
Total of funds	<u>14,180,713</u>	<u>6,881,584</u>	<u>(7,000,712)</u>	<u>-</u>	<u>18,000</u>	<u>14,079,585</u>

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

**General annual grant**

This includes all monies received from the EFA to carry out the objectives of the academy. It includes the School Budget Share, LACSEG (Local Authority Central Spend Equivalent Grant), specialised school funding and rates grants.

**Other DfE/EFA grants & local authority grants**

This is money received from for specific purposes, for example to support individual pupils with a SEN statement. The salary costs of the teaching assistants are set against this and any overspend is funded from the GAG.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. STATEMENT OF FUNDS (continued)**

**Other educational activities**

This includes all income/expenditure in respect of trips and music tuition. Any overspend is funded from the GAG.

**Pension reserve**

This represents the negative reserve in respect of the liability on the LGPS pension scheme which was transferred to the academy on conversion.

**Fixed asset fund**

The fund includes the value of the tangible fixed assets of the academy on conversion, and monies transferred from the GAG or other restricted funds specifically for expenditure on tangible fixed assets, and the annual charges for depreciation of these assets.

**DfE/EFA capital grants**

This is money received from the DfE/EFA specifically for expenditure on tangible fixed assets. Upon expenditure the balances are transferred to the Fixed Asset Fund.

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

**SUMMARY OF FUNDS**

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	362,915	29,161	-	-	-	392,076
Restricted funds	(639,629)	6,667,268	(6,626,517)	(140,277)	18,000	(721,155)
Restricted fixed asset funds	14,457,427	185,155	(374,195)	140,277	-	14,408,664
	<u>14,180,713</u>	<u>6,881,584</u>	<u>(7,000,712)</u>	<u>-</u>	<u>18,000</u>	<u>14,079,585</u>

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

	Un-restricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Tangible fixed assets	-	-	14,408,664	14,408,664	14,417,842
Current assets	392,076	169,279	-	561,355	785,106
Creditors due within one year	-	(152,434)	-	(152,434)	(310,235)
Provisions for liabilities and charges	-	(738,000)	-	(738,000)	(712,000)
	<u>392,076</u>	<u>(721,155)</u>	<u>14,408,664</u>	<u>14,079,585</u>	<u>14,180,713</u>

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**19. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2013 £	2012 £
Net incoming resources before revaluations	(119,128)	14,413,713
Returns on investments and servicing of finance	(1,904)	(2,306)
Capital grants from DfE/EFA	(185,155)	(365,662)
Depreciation of tangible fixed assets	374,091	356,117
Loss on disposal of tangible fixed assets	104	4,987
Increase in stocks	(521)	(1,779)
Decrease/(increase) in debtors	4,151	(176,969)
(Decrease)/increase in creditors	(157,801)	310,235
Transfer on conversion - tangible fixed assets	-	(13,935,850)
Transfer on conversion - pension deficit	-	455,000
Transfer on conversion - cash	-	(117,547)
FRS 17 adjustments	44,000	24,000
<b>Net cash (outflow)/inflow from operations</b>	<b>(42,163)</b>	<b>963,939</b>

**20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2013 £	2012 £
<b>Returns on investments and servicing of finance</b>		
Interest received	1,904	2,306
	<b>2013 £</b>	<b>2012 £</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(365,647)	(843,096)
Sale of tangible fixed assets	630	-
Capital grants from DfE	185,155	365,662
<b>Net cash outflow capital expenditure</b>	<b>(179,862)</b>	<b>(477,434)</b>

**21. ANALYSIS OF CHANGES IN NET FUNDS**

	1 September 2012 £	Cash flow £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand	606,358	(220,121)	-	386,237
<b>Net funds</b>	<b>606,358</b>	<b>(220,121)</b>	<b>-</b>	<b>386,237</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. CAPITAL COMMITMENTS**

At 31 August 2013 the Academy had capital commitments as follows

	2013 £	2012 £
Contracted for but not provided in these financial statements	-	87,738

**23. PENSION COMMITMENTS**

The Academy's employees belong to two principal pension schemes the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council Both are defined benefit schemes

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

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

**Teachers' Pension Scheme**

**Introduction**

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

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

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

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

**Valuation of the Teachers' Pension Scheme**

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts First, a standard contribution rate (SCR) was determined This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. PENSION COMMITMENTS (continued)**

contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

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

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

**Teachers' Pension Scheme Changes**

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

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

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

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a

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**23. PENSION COMMITMENTS (continued)**

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 assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £152,000, of which employer's contributions totalled £115,000 and employees' contributions totalled £37,000. The agreed contribution rates for future years are 13.1% for employers and between 5.5% and 7.5% for employees.

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

The amounts recognised in the Balance sheet are as follows:

	2013 £	2012 £
Present value of funded obligations	(2,004,000)	(1,704,000)
Fair value of scheme assets	1,266,000	992,000
Net liability	<u>(738,000)</u>	<u>(712,000)</u>

The amounts recognised in the Statement of financial activities are as follows:

	2013 £	2012 £
Current service cost	<u>146,000</u>	<u>163,000</u>
Actual return on scheme assets	<u>133,000</u>	<u>51,000</u>

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

	2013 £	2012 £
Opening defined benefit obligation	1,704,000	-
Contributions by scheme participants	37,000	50,000
Actuarial Losses	55,000	200,000
Current service cost	146,000	163,000
Interest cost	73,000	101,000
Liabilities assumed in a business combination	-	1,224,000
Benefits paid	<u>(11,000)</u>	<u>(34,000)</u>
Closing defined benefit obligation	<u>2,004,000</u>	<u>1,704,000</u>

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**23. PENSION COMMITMENTS (continued)**

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

	2013 £	2012 £
Opening fair value of scheme assets	992,000	-
Actuarial gains and (losses)	73,000	(33,000)
Expected return on assets	60,000	84,000
Contributions by employer	115,000	156,000
Contributions by employees	37,000	50,000
Assets acquired in a business combination	-	769,000
Benefits paid	(11,000)	(34,000)
	<u>1,266,000</u>	<u>992,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £-215,000 (2012 - £-233,333)

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2013	2012
Equities	63.70 %	54.30 %
Government bonds	24.40 %	27.60 %
Corporate bonds	1.20 %	1.40 %
Property	7.50 %	8.00 %
Cash	3.00 %	3.40 %
Other	0.20 %	5.30 %

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages)

	2013	2012
Discount rate for scheme liabilities	4.40 %	4.10 %
Rate of increase in salaries	4.60 %	4.60 %
Rate of increase for pensions in payment / inflation	2.70 %	2.10 %
Inflation assumption (CPI)	2.70 %	2.10 %
Commutation of pensions to lump sums - past service	25.00 %	25.00 %
Commutation of pensions to lump sums - future service	75.00 %	75.00 %

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

	2013	2012
Retiring today		
Males	24.0	23.9
Females	25.0	24.9
Retiring in 20 years		
Males	25.7	25.6
Females	26.9	26.8

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**NOTES TO THE FINANCIAL STATEMENTS  
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**23. PENSION COMMITMENTS (continued)**

Amounts for the current and previous period are as follows

Defined benefit pension schemes

	2013 £	2012 £
Defined benefit obligation	(2,004,000)	(1,704,000)
Scheme assets	1,266,000	992,000
Deficit	(738,000)	(712,000)
Experience adjustments on scheme liabilities	(55,000)	(200,000)
Experience adjustments on scheme assets	73,000	(33,000)

**24. OPERATING LEASE COMMITMENTS**

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

	Land and buildings 2013 £	2012 £	2013 £	Other 2012 £
<b>Expiry date</b>				
Within 1 year	-	-	422	3,476
Between 2 and 5 years	-	-	11,929	9,846

**25. RELATED PARTY TRANSACTIONS**

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