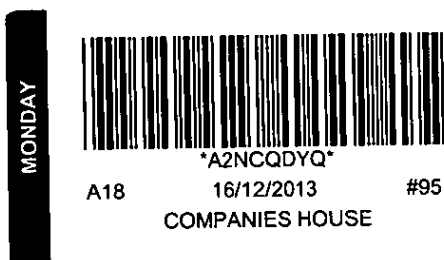


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**ARNOLD ACADEMY**  
(A company limited by guarantee)

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



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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

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**Trustees**

R Chesters-Lewis (resigned 4 September 2012)  
G Forder (resigned 4 October 2012)<sup>1</sup>  
O Flack, Chair<sup>1</sup>  
Mrs T Barbour  
M Jones<sup>1</sup>  
Mrs C Butler-Ellis (resigned 15 October 2013)  
G Phillips (appointed 15 June 2012)  
Mrs E Brown, Staff Trustee (resigned 17 June 2013)<sup>1</sup>  
G Davis, Staff Trustee (resigned 4 October 2012)  
S Kelly, Head Teacher (appointed 1 September 2012)<sup>1</sup>  
M Chalmers-Hunt, Vice Chair (appointed 4 October 2012)  
D Sharp, Staff Trustee (appointed 4 October 2012)  
Mrs C Hewitt, Staff Trustee (appointed 5 December 2012)  
Mrs S Yates, Non teaching staff trustee (appointed 17 June 2013)  
Rev M Johnson (appointed 17 June 2013)

<sup>1</sup> Members of the Finance and General Purposes Committee

**Company registered number**

07670723

**Registered office**

Arnold Academy  
Hexton Road  
Barton-Le-Clay  
Bedfordshire  
MK45 4JZ

**Company secretary**

Mrs K Wildey

**Senior leadership team**

S Kelly, Head Teacher  
Mrs M L Sides, Deputy Head Teacher  
Mrs C McManus, Deputy Head Teacher  
Mrs R Moss, Standards Leaders  
Miss R Truscott, Standards Leaders

**Independent auditors**

Streets Audit LLP  
Chartered Accountants  
Statutory Auditors  
Potton House  
Wyboston Lakes  
Great North Road  
Wyboston  
Bedford  
MK44 3BZ

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

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**Advisers (continued)**

**Bankers**

Lloyds TSB Bank Plc  
Central Milton Keynes  
Buckinghamshire  
MK9 3EH

**Solicitors**

Anthony Collins Solicitors LLP  
134 Edmund Street  
Birmingham  
B3 2ES

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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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 Arnold Academy (the academy) for the 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**

Arnold Academy was incorporated on 15 June 2011 and opened as an Academy on 1 July 2011. The academy is a company limited by guarantee and is an exempt charity. The company's Memorandum and Articles of Association are the primary governing documents of the Academy.

The Governors act as trustees for the charitable activities of the Academy and are also directors of the charitable company for the purposes of company law. The charitable company is known as Arnold Academy.

Details of the Governors who served during the year except as noted are included in the Reference and Administrative details on page 1.

Members of the Academy Trust are appointed by the Secretary of State or from within the Governors to include the Chair of the Governors, the Vice Chair, the Principal, the Chair of the Resources Committee, the Chair of the Teaching and Learning Committee.

**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 management of the academy is the responsibility of the Trustees who are elected and co-opted under the terms of the Trust deed.

The Governors are the directors of the Academy Trust.

A Governor's term of office shall be 4 years, but this time limit will not apply to the Head Teacher, however any Governor may be re-appointed or re-elected.

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

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

During the year under review the Governors held four Full Governing Body meetings, in addition the Resources Committee met on four occasions and the Teaching and Learning Committee on three occasions. Various additional meetings were held by the Head Teachers performance management committee and there was an informal meeting between Governors and the SLT and Governors and the school council. There were new Governor appointments including one new Parent Governor, a new non-teaching staff Governor and a new community Governor. The Chair of Governors at the start of the year resigned and a new Chair was appointed. All new Governors will be given a tour of the Academy and the chance to meet staff and Pupils. All Governors are provided with copies of the policies, procedures, minutes, accounts, budgets, plans and other documents they need to undertake their role as governors. Although there are normally only one or two new Governors a year a formal induction pack has been developed which is tailored to the specific roles to be undertaken and all new Governors are required to attend a Governors Training course run by the Local Education Authority or such other provider the service to which the Academy subscribes.

**e MEMBERS INDEMNITIES**

Each member's liability is limited by an indemnity pursuant to the provisions of the Companies Act 2006 in respect of negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy Trust.

**f ORGANISATIONAL STRUCTURE**

The management structure of the Academy has altered slightly by the introduction of two new positions providing assistance to the deputy head teachers enabling them to concentrate more time on their specific roles and providing back up and a degree of succession planning. The roles are known as standards leaders and the holders are responsible for "Teaching Learning and Enrichment" and Behaviour, Attendance and Community" respectively. The effect is to increase the number of people in the senior leadership team. The overall structure therefore still consists of three levels. The Members of the Academy, The Governors and the Senior Leadership Team. The aim of the structure is to devolve responsibility and encourage involvement in decision making at all levels and avoid undue bureaucracy or replication of works and roles.

The Members have delegated their powers to the Governors who are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The Senior Leadership Team are the Principal, two deputy heads, the two standards leaders and two key stage leaders. Some spending control is devolved to department heads and to the office manager but the senior managers can authorise expenditure within agreed limits and budgets but capital or other significant expenditure requires authorisation by the Resources committee of the Governors subject to the Academy's best value policy.

The Senior Leadership Team is responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students.

There are no subsidiary companies or connected organisations.

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

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**g RISK MANAGEMENT**

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Governors have implemented a number of systems to assess the risks that the school faces, especially in the operational areas (i.e. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. We have introduced systems including operational procedures (e.g. vetting of new staff visitors, governors, supervision of the grounds and buildings) and internal financial controls (as per below) in order to minimise risk. Where required adequate insurance cover has been arranged the Academy has a robust and effective system of internal financial controls and this is explained in more detail in the following statement.

**h. PRINCIPAL ACTIVITIES**

The principal activity of the Academy is to advance for the public benefit education in the UK by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

**Objectives and Activities**

**a OBJECTS AND AIMS**

The principal object and activity of the Academy Trust is the operation of Arnold Academy to provide education for pupils of different abilities between the ages of 9 and 13 and to advance for the public benefit education in the United Kingdom.

The main objectives for the Academy for the year ended 31 August 2013 are summarised below.

**b. STRATEGIES AND ACTIVITIES**

The Academy's main strategy is encompassed in its mission statement which is "To provide a safe and nurturing environment, working in partnership with parents and children to engage all pupils in a broad range of activities and opportunities." To this end the activities include:

- delivering an outstanding educational experience for all pupils through excellent teaching, inventive curricular experiences and modern facilities
- identifying and overcoming barriers to learning through early intervention enabling every child to achieve their potential
- engaging parents, carers and support networks in effective communication to enhance the holistic approach to learning
- establishing sustainable cross phase partnerships that enable schools to pool resources and raise overall standards
- Celebrating with the wider community all the achievements of Arnold Academy

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

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**c PUBLIC BENEFIT**

The Academy has a strategy to support the local community by offering its premises and facilities to community groups for their use where possible and economic to do so

**EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF THE DISABLED**

**Equal opportunities policy**

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

**Disabled persons**

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academy. It is a policy of the Academy to support recruitment and retention of the students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

**Achievements and performance**

**a. 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.

**b REVIEW OF ACTIVITIES**

The second year as an Academy has been very successful, with the new senior leadership team building on a solid foundation and having an immediate positive impact. The growing reputation of Arnold has accelerated and new intake numbers at year five have been strong. Additionally, there has been significant inward mobility to all other year groups as the academy has attracted pupils from beyond its defined catchment area. Since converting to academy status, Arnold has started each new academic year with significantly more pupils on roll than were reported in the previous January census, currently the school has 542 pupils on roll, but is funded based on 521 pupils in January 2013. In September 2014 Arnold is predicted to have at least 575 on roll, but will only be funded for the 542 (approx) that will be on roll in January 2014. This shortfall creates a significant issue for Arnold as funding for the academy does not reflect the actual number of pupils it serves. This "funding lag" has meant that the school has been disadvantaged and has had to manage the budget very tightly. It appears that the "penalty" for a rising roll and being an increasingly successful school is that Arnold will be running at a deficit and therefore eating into reserves for the next academic year and, assuming the trend continues, will suffer similarly for the next three academic until the school reaches capacity.

Improvements have been made to the toilet provisions in the Academy particularly within the year 5 block. A significant investment has been made in the ICT provision to include new hardware and touch screen technology in most classrooms, as well as provision of note books for use in class.



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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

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Performance management has been improved for all staff and year 5 pupils have been benchmarked at the start of the academic year so that their progress can be tracked more accurately throughout their time at Arnold

SATS results in all areas were very good across the board with the results at the end of KS2 showing both Maths and English attainments for levels 4 and 5 well above average attainments for both Central Beds and Nationally Attainment at the end of year 8 was even more striking showing strong trends and placing the Academy at the top of many categories compared to Middle Schools Nationally

The Academy still strives to ensure that standards are continually raised and particularly that the transition by pupils into and out of the school is well managed to ensure that pupils are happy and that their academic and personal development is not adversely effected In all these respects the new targets and increased rigour of teaching and teaching assessment introduced ensure that standards and achievements keep rising

#### **Financial review**

##### **a FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Most of the Academy's income is obtained from the EFA, the use of which is restricted to particular purposes Any grants or other sources of income are shown in the statement of financial activities

During the year ended 31 August 2013, the total expenditure of £2,855,743 exceeded the grant funding from EFA and other income sources Taking into account the brought forward surplus there is a carried forward surplus of £222,622

On 31 August 2013 the net book value of the fixed assets was £6,071,411

##### **b. RESERVES POLICY**

The Governors review the reserve levels of the Academy termly This review examines the income and expenditure streams against the forecasts to match commitments etc , and to identify or forecast any potential shortfall The Governors have determined the appropriate level of reserves to provide sufficient working capital to cover the delays between spending and receipt of grants and to provide sufficient working capital to cover delays between spending and receipt of income from the applicable streams or to provide a cushion for unexpected expenditure and emergencies The Academy will continue to keep such reserves as are required subject to constant and on-going review The current shortfall in EFA funding will though have a significant impact on reserves and unless substantial savings on staffing costs can be achieved (which is clearly difficult due to contract terms) then there is a significant risk that reserves will be entirely consumed to pay for the funding shortfall In the longer term the spend on resources will need to be reduced in order for the budget not to fall into deficit

#### **Plans for the future**

##### **a. FUTURE DEVELOPMENTS**

The Academy will continue to strive to increase pupil numbers and to improve its level of performance of its pupils at all levels and to develop and support the school ethos and values learning The Academy will remain open to alternative routes of income generation which would aid the Academy in achieving it aims and mission statement

The Academy continually updates its school development plan to react to changes on all levels to benefit its students and wider community

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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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 Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information

**AUDITORS**

The auditors, Streets Audit LLP, have indicated their willingness to continue in office. The 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 3 December 2013 and signed on its behalf by



**O Flack, Chair**



**S Kelly, Head Teacher**

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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**GOVERNANCE STATEMENT**

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**SCOPE OF RESPONSIBILITY**

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

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

**GOVERNANCE**

The information on governance included here supplements that described in the Trustees' report and in the 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
R Chesters-Lewis	0	0
G Forder	0	0
O Flack, Chair	4	4
Mrs T Barbour	3	4
M Jones	0	4
Mrs C Butler-Ellis	0	1
G Phillips	4	4
Mrs E Brown, Staff Trustee	2	3
G Davis, Staff Trustee	1	1
S Kelly, Head Teacher	4	4
M Chalmers-Hunt, Vice Chair	4	4
D Sharp, Staff Trustee	3	3
Mrs C Hewitt, Staff Trustee	3	3
Mrs S Yates, Non teaching staff trustee	1	1
Rev M Johnson	1	1

The Finance and General Purposes Committee is a sub-committee of the main board of trustees. Its purpose is to monitor, evaluate and review policy and performance in relation to financial management, comply with reporting and regulatory requirements, receive reports from the Responsible Officer and auditors and draft the annual budget.

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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**GOVERNANCE STATEMENT (continued)**

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Attendance at meetings in the year was as follows

Trustee	Meetings attended	Out of a possible
O Flack, Chair	3	3
M Jones	2	3
Mrs E Brown, Staff Governor	3	3
S Kelly, Head Teacher	3	3
G Phillips	2	3
M Chalmers-Hunt	3	3
D Sharp	2	2

**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 Arnold Academy 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 Mrs S Baker as the 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 termly 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.

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**ARNOLD ACADEMY**  
(A company limited by guarantee)

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**GOVERNANCE STATEMENT (continued)**

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**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

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 3 December 2013 and signed on their behalf, by



**O Flack, Chair  
Trustee**



**S Kelly, Head Teacher  
Accounting Officer**

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**ARNOLD ACADEMY**  
(A company limited by guarantee)

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of Arnold Academy 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



**S Kelly, Head Teacher  
Trustee**

Date 3 December 2013

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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

---

The Trustees (who act as governors of Arnold Academy and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction 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 3 December 2013 and signed on its behalf by



**O Flack, Chair**  
**Chair of Trustees**

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARNOLD ACADEMY**

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We have audited the financial statements of Arnold Academy 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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**ARNOLD ACADEMY**  
(A company limited by guarantee)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARNOLD ACADEMY**

---

**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
- we have not received all the information and explanations we require for our audit

However only partial disclosure has been made in respect of Trustees' remuneration (note 13)



Richard Ward (Senior statutory auditor)  
for and on behalf of

**Streets Audit LLP**  
Chartered Accountants  
Statutory Auditors  
Potton House  
Wyboston Lakes  
Great North Road  
Wyboston  
Bedford  
MK44 3BZ

Date 13 December 2013.

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**ARNOLD ACADEMY**  
**(A company limited by guarantee)**

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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO ARNOLD  
ACADEMY AND THE EDUCATION FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 23 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 Arnold Academy 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 Arnold Academy and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Arnold 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 Arnold Academy and the EFA, for our work, for this report, or for the conclusion we have formed

**RESPECTIVE RESPONSIBILITIES OF ARNOLD ACADEMY'S ACCOUNTING OFFICER AND THE  
REPORTING AUDITORS**

The accounting officer is responsible, under the requirements of Arnold Academy's funding agreement with the Secretary of State for Education dated 8 July 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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**ARNOLD ACADEMY**  
(A company limited by guarantee)

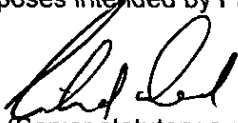
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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO ARNOLD  
ACADEMY AND THE EDUCATION FUNDING AGENCY (continued)**

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**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



Richard Ward (Senior statutory auditor)  
for and on behalf of

**Streets Audit LLP**  
Chartered Accountants  
Statutory Auditors  
Potton House  
Wyboston Lakes  
Great North Road  
Wyboston  
Bedford  
MK44 3BZ

Date 13 December 2013

**ARNOLD ACADEMY**  
(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	Unrestricted 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						
Assets on conversion	2	-	-	-	-	6,081,999
Other voluntary income	2	99,129	-	-	99,129	68,955
Activities for generating funds	3	10,350	-	-	10,350	18,605
Investment income	4	2,425	-	-	2,425	2,526
Incoming resources from charitable activities	5	-	2,516,891	12,611	2,529,502	3,034,502
<b>TOTAL INCOMING RESOURCES</b>		<b>111,904</b>	<b>2,516,891</b>	<b>12,611</b>	<b>2,641,406</b>	<b>9,206,587</b>
<b>RESOURCES EXPENDED</b>						
Costs of generating funds						
Costs of generating voluntary income	7	83,598	-	-	83,598	110,974
Charitable activities	8	-	2,541,000	219,465	2,760,465	2,713,293
Governance costs	9	-	11,680	-	11,680	21,950
<b>TOTAL RESOURCES EXPENDED</b>	6	<b>83,598</b>	<b>2,552,680</b>	<b>219,465</b>	<b>2,855,743</b>	<b>2,846,217</b>
<b>NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS</b>		<b>28,306</b>	<b>(35,789)</b>	<b>(206,854)</b>	<b>(214,337)</b>	<b>6,360,370</b>

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Transfers between Funds	18	(48,141)	26,789	21,352	-	-
<b>NET INCOME / (EXPENDITURE) FOR THE YEAR</b>		<b>(19,835)</b>	<b>(9,000)</b>	<b>(185,502)</b>	<b>(214,337)</b>	<b>6,360,370</b>
Actuarial gains and losses on defined benefit pension schemes		-	1,000	-	1,000	(79,000)
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>(19,835)</b>	<b>(8,000)</b>	<b>(185,502)</b>	<b>(213,337)</b>	<b>6,281,370</b>
<i>Total funds at 1 September 2012</i>		<i>242,457</i>	<i>(218,000)</i>	<i>6,256,913</i>	<i>6,281,370</i>	<i>-</i>
<b>TOTAL FUNDS AT 31 AUGUST 2013</b>		<b>222,622</b>	<b>(226,000)</b>	<b>6,071,411</b>	<b>6,068,033</b>	<b>6,281,370</b>

All activities relate to continuing operations

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

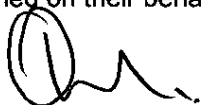
The notes on pages 22 to 41 form part of these financial statements

**ARNOLD ACADEMY**  
(A company limited by guarantee)  
REGISTERED NUMBER 07670723

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

	Note	£	2013 £	£	2012 £
<b>FIXED ASSETS</b>					
Tangible assets	15		6,071,411		6,256,913
<b>CURRENT ASSETS</b>					
Debtors	16	53,581		71,030	
Cash at bank and in hand		229,634		265,117	
		<u>283,215</u>		<u>336,147</u>	
<b>CREDITORS</b> amounts falling due within one year	17	(60,593)		(93,690)	
<b>NET CURRENT ASSETS</b>			<u>222,622</u>		<u>242,457</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>6,294,033</u>		<u>6,499,370</u>
Defined benefit pension scheme liability	23	(226,000)		(218,000)	
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>6,068,033</u></u>		<u><u>6,281,370</u></u>
<b>FUNDS OF THE ACADEMY</b>					
Restricted funds					
Restricted funds excluding pension liability		6,071,411		6,256,913	
Pension reserve		<u>(226,000)</u>		<u>(218,000)</u>	
Total restricted funds			<u>5,845,411</u>		<u>6,038,913</u>
Unrestricted funds	18		<u>222,622</u>		<u>242,457</u>
<b>TOTAL FUNDS</b>			<u><u>6,068,033</u></u>		<u><u>6,281,370</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 3 December 2013 and are signed on their behalf, by



**O Flack, Chair**  
**Chair of Trustees**



**S Kelly, Head Teacher**

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

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

	Note	2013 £	2012 £
Net cash flow from operating activities	20	(3,945)	344,069
Returns on investments and servicing of finance	21	2,425	2,526
Capital expenditure and financial investment	21	(33,963)	(312,976)
Cash transferred on conversion to an academy trust		-	226,688
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(35,483)</b>	<b>260,307</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	(35,483)	260,307
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>(35,483)</b>	<b>260,307</b>
Net funds at 1 September 2012	265,117	4,810
<b>NET FUNDS AT 31 AUGUST 2013</b>	<b>229,634</b>	<b>265,117</b>

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

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**ARNOLD ACADEMY**  
**(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.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by Education Funding Agency 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 Education Funding Agency.

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

**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.

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

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



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**ARNOLD ACADEMY**  
**(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, 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 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 £1,000 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.

The premises at Arnold Academy are owned by the Academy Trust. At 31 August 2012 the EFA valued the freehold buildings at £5,342,043 and the land at £871,769. The buildings will be depreciated over the remaining useful life of 25.78 years. The land will not be depreciated.

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	-	over the remaining useful life of 25.78 years
Motor vehicles	-	20% per annum straight line
Fixtures, fittings and equipment	-	15% or 20% per annum straight line

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**ARNOLD ACADEMY**  
(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 Operating leases**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

**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, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), 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

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**2. VOLUNTARY INCOME**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Assets on conversion	-	-	-	6,081,999
Donations	-	-	-	15,072
School funds income	99,129	-	99,129	53,883
Subtotal	99,129	-	99,129	68,955
Voluntary income	99,129	-	99,129	6,150,954

**3 ACTIVITIES FOR GENERATING FUNDS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Hire of Facilities	10,350	-	10,350	18,605

**4. INVESTMENT INCOME**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Bank interest received	2,425	-	2,425	2,526

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

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

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	<i>Total funds 2012 £</i>
<b>DfE/EFA grants</b>				
General Annual Grant (GAG)	-	2,212,329	2,212,329	2,486,021
Start Up Grants	-	-	-	25,000
Other DfE/EFA grants	-	85,929	85,929	73,315
	-	2,298,258	2,298,258	2,584,336
<b>Other government grants</b>				
Local authority grants	-	1,200	1,200	311,843
Special educational needs	-	144,222	144,222	13,389
	-	145,422	145,422	325,232
<b>Other income</b>				
Catering income	-	83,990	83,990	92,150
Consultancy income	-	-	-	32,784
Enthuse award	-	1,832	1,832	-
	-	85,822	85,822	124,934
	-	2,529,502	2,529,502	3,034,502

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**6 ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE**

	Staff costs 2013 £	Depreciation 2013 £	Other costs 2013 £	Total 2013 £	Total 2012 £
School funds expenditure	-	-	83,598	83,598	110,974
<b>Costs of generating funds</b>	<b>-</b>	<b>-</b>	<b>83,598</b>	<b>83,598</b>	<b>110,974</b>
Direct	1,774,198	-	86,686	1,860,884	2,713,293
Support	281,415	219,465	398,701	899,581	706,061
<b>Charitable activities</b>	<b>2,055,613</b>	<b>219,465</b>	<b>485,387</b>	<b>2,760,465</b>	<b>3,419,354</b>
<b>Governance</b>	<b>-</b>	<b>-</b>	<b>11,680</b>	<b>11,680</b>	<b>21,950</b>
	<b>2,055,613</b>	<b>219,465</b>	<b>580,665</b>	<b>2,855,743</b>	<b>3,552,278</b>

All expenditure relates to the one charitable activity of the provision of education

**7 COSTS OF GENERATING VOLUNTARY INCOME**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
School funds expenditure	83,598	-	83,598	110,974

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**8. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
<b>DIRECT COSTS</b>				
Wages and salaries	-	1,461,133	1,461,133	1,594,063
National insurance	-	105,663	105,663	115,404
Pension cost	-	207,402	207,402	224,535
Educational supplies	-	86,686	86,686	65,230
	-	1,860,884	1,860,884	1,999,232
<b>SUPPORT COSTS</b>				
Wages and salaries	-	245,825	245,825	255,359
National insurance	-	10,227	10,227	9,925
Pension cost	-	25,363	25,363	29,590
Depreciation	-	219,465	219,465	4,810
Pension interest cost	-	8,000	8,000	8,000
Staff development	-	8,515	8,515	5,443
Recruitment and support	-	36,084	36,084	32,209
Maintenance of premises and equipment	-	89,718	89,718	107,163
Rent and rates	-	16,348	16,348	22,114
Insurance	-	26,093	26,093	29,264
Catering	-	50,893	50,893	49,857
Other costs	-	39,862	39,862	34,781
Security and transport	-	3,067	3,067	6,629
Heat and light	-	27,709	27,709	33,143
Technology	-	92,412	92,412	85,774
	-	899,581	899,581	714,061
	-	2,760,465	2,760,465	2,713,293

**9 GOVERNANCE COSTS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Auditors' remuneration	-	6,305	6,305	6,305
Auditors' non audit costs	-	2,670	2,670	4,350
Legal and professional fees	-	2,705	2,705	11,295
	-	11,680	11,680	21,950

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**ARNOLD ACADEMY**  
**(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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**10 NET INCOMING RESOURCES / (RESOURCES EXPENDED)**

This is stated after charging

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets		
- owned by the charity	<b>219,465</b>	<b>4,810</b>
Auditors' remuneration	<b>6,305</b>	<b>6,305</b>
Auditors' remuneration - non-audit	<b>2,670</b>	<b>4,350</b>
Operating lease rentals - plant and machinery	<b>7,498</b>	<b>8,490</b>
	<hr/> <hr/>	<hr/> <hr/>

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**11 STAFF COSTS**

Staff costs were as follows

	2013 £	2012 £
Wages and salaries	1,706,958	1,849,422
Social security costs	115,890	125,329
Other pension costs (Note 23)	232,765	222,276
	<u>2,055,613</u>	<u>2,197,027</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
Teaching staff	31	29
Support staff	30	28
	<u>61</u>	<u>57</u>

Following clarification from the EFA the comparatives have been amended

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

	2013 No.	2012 No
In the band £60,001 - £70,000	1	2
In the band £70,001 - £80,000	0	1
	<u>1</u>	<u>3</u>

All of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2013, pension contributions for these staff amounted to £8,856 (2012 £29,216 for the three individuals)

**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 £2,000,000 on any one claim and the cost for the year ended 31 August 2013 was £1,320 (2012 - £140)

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



**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**13. TRUSTEES' REMUNERATION AND EXPENSES**

During the year retirement benefits were accruing to 5 Trustees (2012 - 3) in respect of defined benefit pension schemes

During the year, no Trustees received any benefits in kind (2012 - £NIL)

During the year, no Trustees received any reimbursement of expenses (2012 - £NIL)

There are 5 governors who are also staff members who were paid a total of £181,733 (2012 £156,033) This remuneration was in respect of their employment as members of the academy's staff and not in respect of their services as trustees

**14. OTHER FINANCE INCOME**

	2013 £	2012 £
Expected return on pension scheme assets	18,000	21,000
Interest on pension scheme liabilities	(26,000)	(29,000)
	<u>(8,000)</u>	<u>(8,000)</u>

**15. TANGIBLE FIXED ASSETS**

	Freehold property £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 September 2012	6,213,812	10,000	37,911	6,261,723
Additions	-	-	33,963	33,963
At 31 August 2012	<u>6,213,812</u>	<u>10,000</u>	<u>71,874</u>	<u>6,295,686</u>
<b>Depreciation</b>				
At 1 September 2012	-	1,667	3,143	4,810
Charge for the year	207,217	2,000	10,248	219,465
At 31 August 2012	<u>207,217</u>	<u>3,667</u>	<u>13,391</u>	<u>224,275</u>
<b>Net book value</b>				
At 31 August 2012	<u>6,006,595</u>	<u>6,333</u>	<u>58,483</u>	<u>6,071,411</u>
At 31 August 2012	<u>6,213,812</u>	<u>8,333</u>	<u>34,768</u>	<u>6,256,913</u>

Included in land and buildings is freehold land at cost of £871,769 (2012 - £871,769), which is not depreciated

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**16. DEBTORS**

	2013 £	2012 £
Trade debtors	584	1,911
Other debtors	22,645	33,729
Prepayments and accrued income	30,352	35,390
	<u>53,581</u>	<u>71,030</u>

**17 CREDITORS:  
Amounts falling due within one year**

	2013 £	2012 £
Trade creditors	-	9,182
Accruals and deferred income	60,593	84,508
	<u>60,593</u>	<u>93,690</u>

	£
<b>Deferred income</b>	
Deferred income at 1 September 2012	22,500
Receipts in advance of trips	13,709
Amounts released from previous years	(22,500)
Capital funding deferred	7,442
Deferred income at 31 August 2013	<u>21,151</u>

**ARNOLD ACADEMY**  
(A company limited by guarantee)

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

**18 STATEMENT OF FUNDS**

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
<b>Designated funds</b>						
School fund	23,545	99,129	(83,598)	-	-	39,076
Contingency reserve	12,000	-	-	-	-	12,000
	<u>35,545</u>	<u>99,129</u>	<u>(83,598)</u>	<u>-</u>	<u>-</u>	<u>51,076</u>
<b>General funds</b>						
General Fund	206,912	12,775	-	(48,141)	-	171,546
Total Unrestricted funds	<u>242,457</u>	<u>111,904</u>	<u>(83,598)</u>	<u>(48,141)</u>	<u>-</u>	<u>222,622</u>
<b>Restricted funds</b>						
General Annual Grant (GAG)	-	2,212,329	(2,239,118)	26,789	-	-
Other DfE/EFA grants	-	73,318	(73,318)	-	-	-
Local authority grants	-	1,200	(1,200)	-	-	-
Special educational needs	-	144,222	(144,222)	-	-	-
Catering	-	83,990	(83,990)	-	-	-
Enthuse award	-	1,832	(1,832)	-	-	-
Pension reserve	(218,000)	-	(9,000)	-	1,000	(226,000)
	<u>(218,000)</u>	<u>2,516,891</u>	<u>(2,552,680)</u>	<u>26,789</u>	<u>1,000</u>	<u>(226,000)</u>
<b>Restricted fixed asset funds</b>						
Fixed Asset Reserve	6,256,913	-	(219,465)	33,963	-	6,071,411
DfE/EFA Capital Grants	-	12,611	-	(12,611)	-	-
	<u>6,256,913</u>	<u>12,611</u>	<u>(219,465)</u>	<u>21,352</u>	<u>-</u>	<u>6,071,411</u>
Total restricted funds	<u>6,038,913</u>	<u>2,529,502</u>	<u>(2,772,145)</u>	<u>48,141</u>	<u>1,000</u>	<u>5,845,411</u>
Total of funds	<u><u>6,281,370</u></u>	<u><u>2,641,406</u></u>	<u><u>(2,855,743)</u></u>	<u><u>-</u></u>	<u><u>1,000</u></u>	<u><u>6,068,033</u></u>

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

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

**Designated Funds**

**School Fund**

The Academy maintains a separate school fund which includes income and expenditure relating to school trips and other fundraising activities

**Contingency Fund**

The governors consider that it is prudent to allocate part of the general funds to a contingency reserve. A sum of £12,000 has been transferred to the contingency reserve to cover future potential increases in employer contributions to the Local Government Pension Scheme

**General Funds**

The Academy's general fund represents income and expenditure relating to activities undertaken by the Academy as part of its charitable activities. The Academy can use these funds for any purpose.

**Restricted Funds**

The Academy received a number of grants during the year for the purpose of providing educational services to its pupils. These funds included grants from the EFA for the General Annual Grant (GAG) and Pupil Premium. These grants have been used for staff costs, educational resources and general costs incurred in the running of the Academy. During the year the Academy undertook a planned refurbishment programme which utilised all the restricted funding received and the balance was met from reserves transferred on conversion.

**Pension Reserve** - As stated in note 23 the Academy is a participating employer in two defined benefit pension schemes. The liabilities relating to Arnold Academy can only be determined for one of these schemes. A separate reserve has been included to show the impact of the changes in valuation of this pension scheme.

**Restricted Fixed Asset Funds**

Assets which are capitalised in the accounts are represented by a separate fund within the Restricted Fixed Assets reserves.

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.

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

**SUMMARY OF FUNDS**

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Designated funds	35,545	99,129	(83,598)	-	-	51,076
General funds	206,912	12,775	-	(48,141)	-	171,546
	<u>242,457</u>	<u>111,904</u>	<u>(83,598)</u>	<u>(48,141)</u>	<u>-</u>	<u>222,622</u>
Restricted funds	(218,000)	2,516,891	(2,552,680)	26,789	1,000	(226,000)
Restricted fixed asset funds	6,256,913	12,611	(219,465)	21,352	-	6,071,411
	<u>6,281,370</u>	<u>2,641,406</u>	<u>(2,855,743)</u>	<u>-</u>	<u>1,000</u>	<u>6,068,033</u>

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

	Unrestric- ted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Tangible fixed assets	-	-	6,071,411	6,071,411	6,256,913
Current assets	283,215	-	-	283,215	336,147
Creditors due within one year	(60,593)	-	-	(60,593)	(93,690)
Provisions for liabilities and charges	-	(226,000)	-	(226,000)	(218,000)
	<u>222,622</u>	<u>(226,000)</u>	<u>6,071,411</u>	<u>6,068,033</u>	<u>6,281,370</u>

**20 NET CASH FLOW FROM OPERATING ACTIVITIES**

	2013 £	2012 £
Net incoming resources before revaluations	(214,337)	6,360,370
Returns on investments and servicing of finance	(2,425)	(2,526)
Cash transferred on conversion to an academy trust	-	(226,688)
Depreciation of tangible fixed assets	219,465	-
Donated assets	-	(5,948,747)
Decrease/(increase) in debtors	17,449	(71,030)
(Decrease)/increase in creditors	(33,097)	93,690
Increase in provisions	8,000	139,000
FRS 17 adjustments	1,000	-
<b>Net cash (outflow)/inflow from operations</b>	<u>(3,945)</u>	<u>344,069</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2013 £	2012 £
<b>Returns on investments and servicing of finance</b>		
Interest received	2,425	2,526
	<u>2,425</u>	<u>2,526</u>
	2013 £	2012 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(33,963)	(312,976)
	<u>(33,963)</u>	<u>(312,976)</u>

**22 ANALYSIS OF CHANGES IN NET FUNDS**

	1 September 2012 £	Cash flow £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand	265,117	(35,483)	-	229,634
<b>Net funds</b>	<u>265,117</u>	<u>(35,483)</u>	<u>-</u>	<u>229,634</u>

**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 Bedford Borough Council Both are defined benefit schemes

The pension costs are assessed in accordance with the advice of independent qualified actuaries The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 August 2013

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

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

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

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

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

**Valuation of the Teachers' Pension Scheme**

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

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

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

**Teachers' Pension Scheme Changes**

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

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

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

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

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

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

**Local Government Pension Scheme**

The 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 £81,000, of which employer's contributions totalled £63,000 and employees' contributions totalled £18,000. The agreed contribution rates for future years are 20.5% for employers and a variable rate for employees, depending on rates of pay.

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	(708,000)	(580,000)
Fair value of scheme assets	482,000	362,000
	<hr/>	<hr/>
Net liability	(226,000)	(218,000)
	<hr/>	<hr/>



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

**23. PENSION COMMITMENTS (continued)**

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

	2013 £	2012 £
Current service cost	(64,000)	(58,000)
Interest on obligation	(26,000)	(29,000)
Expected return on scheme assets	18,000	21,000
Contributions by the employer	63,000	86,000
	<u>          </u>	<u>          </u>
Total	(9,000)	20,000
	<u>          </u>	<u>          </u>
Actual return on scheme assets	(1,000)	79,000
	<u>          </u>	<u>          </u>

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

	2013 £	2012 £
Opening defined benefit obligation	580,000	-
Current service cost	64,000	58,000
Interest cost	26,000	29,000
Contributions by scheme participants	18,000	24,000
Actuarial Losses	20,000	66,000
Liability transferred on conversion	-	403,000
	<u>          </u>	<u>          </u>
Closing defined benefit obligation	708,000	580,000
	<u>          </u>	<u>          </u>

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

	2013 £	2012 £
Opening fair value of scheme assets	362,000	-
Expected return on assets	18,000	21,000
Actuarial gains and (losses)	21,000	(13,000)
Contributions by employer	63,000	86,000
Contributions by employees	18,000	24,000
Asset transferred on conversion	-	244,000
	<u>          </u>	<u>          </u>
	482,000	362,000
	<u>          </u>	<u>          </u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £1,000 (2012 - £79,000)

The academy expects to contribute £67,000 to its Defined benefit pension scheme in 2014

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**23 PENSION COMMITMENTS (continued)**

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

	2013	2012
Equities	70.00 %	52.00 %
Bonds	19.00 %	17.00 %
Property	8.00 %	9.00 %
Cash	3.00 %	22.00 %

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

	2013	2012
Discount rate for scheme liabilities	4.60 %	4.10 %
Expected return on scheme assets at 31 August	5.90 %	4.40 %
Rate of increase in salaries	5.10 %	4.50 %
Rate of increase for pensions in payment / inflation	2.80 %	2.20 %

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	21.6	21.6
Females	23.2	23.2
Retiring in 20 years		
Males	23.6	23.6
Females	25.6	25.6

Amounts for the current and previous period are as follows

Defined benefit pension schemes

	2013 £	2012 £
Defined benefit obligation	(708,000)	(580,000)
Scheme assets	482,000	362,000
Deficit	(226,000)	(218,000)
Experience adjustments on scheme liabilities	(20,000)	(66,000)
Experience adjustments on scheme assets	21,000	(13,000)

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**24 OPERATING LEASE COMMITMENTS**

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

	Land and buildings			Other
	2013	2012	2013	2012
	£	£	£	£
<b>Expiry date.</b>				
Between 2 and 5 years	-	-	7,498	7,498

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

**26 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.

No related party transactions took place in the period of account.