

MARLOWE ACADEMY
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 August 2014

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COMPANIES HOUSE

Company Registration Number: 04915796 (England and Wales)

MARLOWE ACADEMY

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MARLOWE ACADEMY

Reference and Administrative Details

Members

Sir Roger De Haan
Susan McMarlane

Governors (Trustees)

Sir Roger De Haan (Chairman)
Andrew Armitage (Resigned 31 December 2014)
Graham Badman
Gary Cottle+
Catherine Chapman (Resigned 3 October 2014)
Gary Edwards* +
Richard Fraser*+
Rosalind McCarthy
Trevor Minter
Carl Parsons
Michael Pearce
Timothy Reid
Peter Roberts
Mark Taylor*+

*members of the Finance and General Purposes Committee
+members of the Audit Committee

Company Secretary

Frances Sharp

Responsible Officer

Richard Fraser

Senior Leaders

- . Executive Principal and Accounting Officer (until 11 May 2015)
- . Head Teacher and Accounting Officer (from 14 May 2015)
- . Vice Principal

Sean Heslop (Resigned 11 May 2015)

Emma Newman

Will Pemberton

Principal and Registered Office

The Marlowe Academy
Marlowe Way
Ramsgate
Kent
CT12 6NB

Company Registration Number

04915796 (England and Wales)

Auditor

Baker Tilly UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Bankers

National Westminster Bank plc
37 Dover Road
Canterbury, Kent
CT1 3JB

Solicitors

Withers LLP
16 Old Bailey
London
EC4M 7EG

MARLOWE ACADEMY

Governors' Report 31 August 2014

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2014. The annual report serves the purposes of both a Governors' report and a Directors' report under Company Law.

Future Operation of the Academy

Since the year end the trustees have held discussions with the governors of the Ellington & Hereson School with a view to the two schools combining to create one larger school. A process of public consultation has now concluded in favour and arrangements are being made to complete the process in time for the start of the new school year at the beginning of September 2015. On completion of the arrangements, the assets and liabilities of the Marlowe Academy will be transferred to a separate entity which will use the assets for the purposes of operating the enlarged school. The Marlowe Academy will cease to operate with effect from 31 August 2015. For this reason the accounts have been prepared on a break-up basis and the Marlowe's fixed assets written down to zero.

Structure, Governance and Management

Constitution

The Academy 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.

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

Details of the Governors who served during the year are included in the Reference and Administration Details on page 3.

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.

Principal Activities

The principal activity of the Charitable Company is the operation of the Marlowe Academy to provide education for pupils of differing abilities between the ages of 11 and 19 with an emphasis on the twin specialisms of Business and the Performing Arts.

Method of recruitment and appointment or election of Governors

The Charity's Articles of Association set out the constitution and method of appointment of the Governing Body including Parent Governors who are elected in accordance with Department for Education guidelines. Suitability of Governors is determined by their interest in the work of the Charity, eligibility and personal competence and to ensure the Governing Body has the breadth of skills and knowledge necessary to advance the Academy in all areas.

MARLOWE ACADEMY

Governors' Report 31 August 2014 (continued)

Policies and procedures adopted for the induction and training of Governors

New Governors will be given a tour of the Academy and the chance to meet staff, students, the Head Teacher and the Chairman of the board with a view to ensuring the Governor has a good understanding of the Academy's philosophy and its day to day operation.

Although no formal training programme exists for Governors within the Academy, Governors are encouraged to participate in training programmes, either through their principal employer or participation in appropriate and relevant training courses arranged by the Academy. From time to time, the Academy arranges technical updates on topical matters for Governors.

Organisational structure

The management structure of the Academy consists of the Governors and the Leadership Team.

The Governors meet on a regular basis and fulfil a largely strategic role in the running of the Academy with detailed decision making being delegated to committees and the Head Teacher and her team. The Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the strategic direction of the Academy, capital expenditure and the most senior staff appointments.

The Leadership Team is led by the Head Teacher. The Head Teacher is supported on a day to day basis by the wider leadership team which comprise the personnel listed on page 3. These senior leaders manage the Academy at an executive level; implementing the policies agreed by the Governors and report back to them on progress. The level at which spending can be approved and decisions can be made is set out in the Academy's Financial Regulations and Scheme of Delegation. The Head Teacher has taken on the role of Accounting Officer following the resignation of the Executive Principal.

Connected Organisations, including related party relationships

The chair of Governors and a number of other Governors are also Governors of the Folkestone Academy in Folkestone. In order to share best practice and build on the existing successes, the Executive Principal at Folkestone Academy also took over responsibility for the Marlowe Academy and some Leadership team members were also seconded to embed these changes. The Executive Principal resigned on 11 May 2015.

The Academy's sponsor and Chair of Governors, Sir Roger De Haan is also the Chair of Roger De Haan Charitable Trust. This charitable organisation has assisted the Academy considerably throughout the years.

The Headmaster and Bursar of the Kings School, Canterbury are both Governors of the Academy. The link with this local outstanding independent school continues to help implement best educational practices through shared methodologies and collaboration.

The Friends of the Folkestone and Marlowe Academies (FFMA) is a separate charity which was established to provide support and funding to the two Academies. It shares a number of Trustees/Governors with the Marlowe Academy. The Academy provides HR, clerical and finance support to FFMA and also to FFMA's subsidiary trading company, FFMA (Trading) Limited. This company operates the Marlowe Innovation Centre, an enterprise centre accommodating start-up businesses at the Marlowe Academy site in Ramsgate.

MARLOWE ACADEMY

Governors' Report 31 August 2014 (continued)

A local radio station, Academy FM Thanet, is based at the Academy. It shares a number of Trustees with the Academy and plays a part in the delivery of the Academy's curriculum. The Academy provides some HR, clerical and finance support to Academy FM Thanet. Two other smaller entities, Academy FM Folkestone and Shepway Sports Trust also share a number of Trustees with the Academy. The Academy also provides these entities with some HR, clerical and finance support. A charge is made for such services provided to related entities.

Objectives and Activities

Objectives

The principal objectives of the Academy are:

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

Public benefit statement

The primary purpose of the Marlowe Academy is the provision of education to prepare youngsters for life after school, be it progression on to university or directly into the world of work. Students are encouraged to build the mental, emotional and social resources necessary to ensure a successful future. Inextricably linked with this purpose is the aim of contributing to the public good. Through the provision of incidental educational activities and other activities, the Academy aims to contribute considerable benefit to the local community. Over the last year such events have included the following:

- The Academy campus is home to the local Newington Community Library and Academy FM, community radio station.
- An innovation centre is based on the Marlowe Academy site, creating a natural partnership and rich work experience opportunities for Sixth Form students.
- The Academy hosts a Thanet Farmers' Market and Kids' Kitchen once a month, providing a central location for local Thanet and East Kent producers to sell their wares.
- The Academy Theatre is used by local Guides and Brownies for their weekly group meetings.
- The Healthy Hearts Scheme run by Thanet Community Development Trust is based at the Academy, enabling free cookery and play days to be arranged for families within the Thanet area.
- Regular blood donor sessions take place in the Academy for the wider community.
- The Academy is home to "Living the Dream" Dance School which offers traditional dance lessons and urban street dance.
- The Academy's Olympic size, 8 lane sports track is used by Thanet Athletics and Thanet Road Runner Clubs to offer coaching and participation in a range of events at competition level for children and young people of all abilities.
- Charlton Athletic Football Club are working in partnership with the Marlowe Academy to establish a football academy at the school. Charlton Athletic currently offer free football coaching sessions to all young people at the Academy one night a week.
- Margate and Ramsgate Youth football teams use the sports facilities during the season for home games and training sessions.

MARLOWE ACADEMY

Governors' Report 31 August 2014 (continued)

Public benefit statement (continued)

- The sports hall is used by two 5 A Side Football clubs for training on a weekly basis. A local karate club also runs two classes on a weekly basis.
- The Academy hosts several sports competitions ranging from athletics, football, netball, dodge ball and cricket tournaments for Thanet primary and secondary schools.
- Regular fundraising activities take place on site, to support local charities.

The Marlowe Academy produces a regular weekly newsletter to celebrate success of young people both in and out of the Academy. The newsletter is available to view and download from the Academy's website, to enable the community to share student and staff successes and raise the profile of the Academy in the local community.

The Academy has given a high priority to providing public benefit to the community but perhaps the greatest benefit that the Academy can offer is the provision of an education that maximises each student's potential. Our aim is to develop principled, informed, open minded and confident citizens who respect the beliefs of others and who are determined to make a positive contribution to society.

The Governors have considered the impact of the public benefit requirement including the guidance issued by the Charity Commission.

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

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

Strategic Report

Achievements and performance

Teaching and Learning

When the Academy was inspected in July 2013 Ofsted saw improvement across the whole of the organisation and decided to remove the category of Special Measures.

The quality of classroom practice has been at the forefront of our focus. The climate for learning is now greatly improved and has been noted by three external moderators.

Financial Review

Financial and risk management objectives and policies

The Academy continues to struggle financially against a background of funding cuts and a further decrease in its student intake. Through good cash flow management and regular meetings with the Governors, the Academy was able to react to sudden and unexpected

MARLOWE ACADEMY

Governors' Report 31 August 2014 (continued)

Financial Review (continued)

changes in funding. Its cumulative funding deficit was covered by a loan from the Academy's endowment fund.

The Academy took significant steps in 2014 to reduce staff costs. In particular, the Academy's support staff was reviewed and cut back. This exercise allowed the Academy to produce a break-even budget for 2014/2015, after a one off donation from Roger De Haan.

Ignoring pension adjustments and adjustments relating to fixed assets, the result for this year shows a deficit of £294,000 though this is stated after including a disputed government grant claw-back provision of £170,000. The net deficit in the year on the fixed asset fund (£23.7 million) comprises mainly impairment and depreciation of fixed assets. The large impairment arises as the Academy's fixed assets are to be transferred to a new entity in Autumn 2015 for no consideration. The adverse movement on pension reserve of £1,609,000 reflects the latest actuarial valuation.

Reserves policy

Given the impending change in control of the Academy's assets, a review of the policy on reserves is no longer considered relevant (see comment on future operations at the commencement of this report).

Reserves as at 31 August 2014 showed a deficit of £3.0 million (2013: £22.4 million surplus) which comprised primarily the Academy's pension deficit. Arrangements are being made by the EFA such that the Marlowe's local government pension scheme deficit will not crystallise on the cessation of the Academy's operations. The Academy's free reserves amounted to nil (2013: £nil).

Risk management

Given the impending cessation of the Academy's operations the Governors are focussed on ensuring that there is an orderly transfer to the new entity that will run the school. (see comment on future operations at the commencement of this report).

Donations

The Academy would like to thank its endowment fund, the Friends of the Folkestone and Marlowe Academies, for the receipt of £4,048 in donations to fund curriculum related year end activities and the provision of an interest free loan facility.

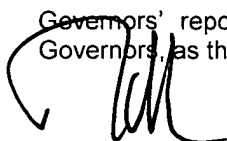
Auditor

In so far as the Governors are aware:

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

The Governors would like to extend their thanks to the staff and students of the Marlowe Academy for their hard work and commitment in the past year.

Governors' report incorporating a strategic report, approved by order of the board of Governors, as the Company Directors, on 3 July 2015 and signed on the board's behalf by:



Roger De Haan
Chairman

MARLOWE ACADEMY

Governance Statement

Scope of responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that Marlowe 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 Governing Body 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 Marlowe Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings Attended	Out of a Possible
Sir Roger De Haan (Chairman)	3	3
Andrew Armitage	3	3
Graham Badman	0	3
Gary Cottle	0	3
Catherine Chapman	3	3
Gary Edwards	3	3
Richard Fraser	3	3
Rosalind McCarthy	3	3
Trevor Minter	3	3
Carl Parsons	3	3
Michael Pearce	3	3
Timothy Reid	3	3
Peter Roberts	3	3
Mark Taylor	3	3

Governance Reviews

The Marlowe Academy Governing Body has completed a self-evaluation review for the academic year 2013/14.

- The Annual Calendar for Trustees provides an efficient working programme for the Governing Body and its committees to provide the appropriate level of support and challenge to ensure an efficient and high quality provision of education for its pupils.
- The Governing Body has established sub Committees with clearly defined roles and responsibilities laid out in their Terms of Reference with a clear focus on holding the Academy to account for academic standards, the efficient use of resources and ensuring that statutory duties are met.
- Trustees use the services of external auditors for validation of judgements where necessary.
- There is a clear and effective policy review cycle in place.
- The Governing Body Self Evaluation process is now an annual event; a Self-Evaluation Review is carried out by a sub working party each Spring Term with a report to the next full Governing Body.

MARLOWE ACADEMY

Governance Statement (continued)

The Finance and General Purposes Committee is a sub-committee of the main Governing Body. Its purpose is to advise the Academy Board on matters of solvency, budgeting, financial reporting. It will act on the Academy Board's behalf to exercise oversight of the conduct of all financial affairs.

Attendance at meetings in the year was as follows:

Governor	Meetings Attended	Out of a Possible
Gary Edwards	3	4
Richard Fraser	4	4
Mark Taylor	4	4

The Audit Committee is also a sub-committee of the main Governing Body. Its purpose is to advise the Academy Board on matters of audit, risk management and other compliance issues.

Attendance at meetings in the year was as follows:

Governor	Meetings Attended	Out of a Possible
Gary Cottle	1	1
Gary Edwards	0	1
Richard Fraser	1	1
Mark Taylor	1	1

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 Marlowe Academy for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body 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 Governing Body 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 ending 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

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 Governing Body;
- 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;
- regular reviews by the Audit Committee of internal and external reports on areas of audit, system effectiveness, risk management and other compliance issues

MARLOWE ACADEMY

Governance Statement (continued)

- 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 Governing Body considered the need for a specific internal audit function at the start of 13/14 and decided not to appoint an internal auditor. However, the Governing Body have appointed Richard Fraser, a Governor, 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. Under the direction and supervision of the RO, the Academy's Systems Accountant visited the Academy once in relation to the year ended 31 August 2014. In conjunction with the RO, he reported back to the Audit Committee on the results of the tests completed. These tests were in accordance with those outlined in the Academies Financial Handbook 2006. In addition, the Academy benefits significantly from sharing compliance practices and qualified financial personnel with the Folkestone Academy so audit checks are undertaken on a monthly basis by those not charged with preparing the information. This delivers additional assurance and financial control.

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 auditor;
- 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 the Audit 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 Governing Body on 3 July 2015 and signed on its behalf by:



Roger De Haan
Chairman



Emma Newman
Head Teacher

MARLOWE ACADEMY

Statement on Regularity, Proprietary and Compliance

As accounting officer of Marlowe Academy, appointed 14 May 2015, I have taken assurances from the academy's governing body who were present throughout the year ending 31 August 2014 and considered my responsibility to notify the academy governing body 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.

I confirm that I and the Academy Governing Body 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.

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



Emma Newman
Accounting Officer

Date 2-7-15

MARLOWE ACADEMY

Statement of Governors' Responsibilities

The Governors (who act as trustees for charitable activities of Marlowe Academy and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' report and the financial statements in accordance with the Academies: Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The Governors 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 Governors 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 Governors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website.

Approved by order of the members of the Governing Body on 3 July 2015 and signed on its behalf by:



Roger De Haan
Chairman

MARLOWE ACADEMY

Independent auditor's report to the members of Marlowe Academy

Year Ended 31 August 2014

We have audited the financial statements of Marlowe Academy for the year ended 31 August 2014 on pages 16 to 38. 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 2013/14 issued by the Education Funding Agency.

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' Responsibilities set out on page 13, the Governors (who act as trustees for the charitable activities of the charitable company, and are also the directors of the charitable company 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies: Accounts Direction 2013/14 issued by the Education Funding Agency.

Emphasis of Matter – break-up basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in Note 1 to the financial statements. This note describes the preparation of the financial statements on a break-up basis rather than the conventional going concern basis as a result of the decision to merge with Ellington and Hereson School.

Opinion on other requirement of the Companies Act 2006

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

MARLOWE ACADEMY

Independent auditor's report to the members of Marlowe Academy (continued)

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:

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

Baker Tilly UK Audit LLP

NICHOLAS SLADDEN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
London

Date: *8 July 2015*

MARLOWE ACADEMY
Statement of Financial Activities for the Year to 31 August 2014

(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted	Restricted	Restricted	Total	Total
		Funds	General	Fixed	2014	2013
	Notes	£000	Funds	Asset	£000	£000
			£000	Funds		
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	3	-	4	-	4	103
Activities for generating funds	4	151	-	-	151	157
Investment income	5	1	(3)	-	(2)	3
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations	6	7	5,407	28	5,442	6,456
Total incoming resources		159	5,408	28	5,595	6,719
Resources expended						
<i>Charitable activities:</i>						
Impairment of fixed assets	13	-	-	22,881	22,881	-
Academy's educational operations	8	122	5,691	749	6,562	7,870
<i>Governance costs</i>	9	-	48	-	48	40
Total resources expended	7	122	5,739	23,630	29,491	7,910
Net incoming/(outgoing) resources before transfers		37	(331)	(23,602)	(23,896)	(1,191)
Gross transfers between funds	16	(37)	110	(73)	-	-
Net income/(expenditure) for the year		-	(221)	(23,675)	(23,896)	(1,191)
Other recognised gains and losses						
Actuarial (losses)/gains on defined benefit pension schemes	16,26	-	(1,559)	-	(1,559)	29
Net movement in funds		-	(1,780)	(23,675)	(25,455)	(1,162)
Reconciliation of funds						
Total funds brought forward at 1 September 2013	16	-	(1,210)	23,675	22,465	23,627
Total funds carried forward at 31 August 2014		-	(2,990)	-	(2,990)	22,465

All of the Academy's activities derived from its operations during the above two financial periods.

MARLOWE ACADEMY

Balance sheet as at 31 August 2014

**Company Number
04915796**

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	13		-		23,571
Current assets					
Debtors	14	258		323	
Cash at bank and in hand		415		239	
		<u>673</u>		<u>562</u>	
Liabilities:					
Creditors: Amounts falling due within one year	15	<u>(941)</u>		<u>(555)</u>	
Net current (liabilities)/assets			<u>(268)</u>		<u>7</u>
Total assets less current liabilities			<u>(268)</u>		<u>23,578</u>
 Pension scheme liability	26		<u>(2,722)</u>		<u>(1,113)</u>
Net assets including pension liability			<u>(2,990)</u>		<u>22,465</u>
 Funds of the Academy:					
Restricted funds					
. Fixed asset funds	16		-		23,675
. General funds	16		(268)		(97)
. Pension reserve	16		(2,722)		(1,113)
Total restricted funds			<u>(2,990)</u>		<u>22,465</u>
 Unrestricted funds					
. General funds	16		-		-
Total unrestricted funds			<u>-</u>		<u>-</u>
 Total Funds			<u>(2,990)</u>		<u>22,465</u>

The financial statements on pages 16 to 38 were approved by the Governors, and authorised for issue on 3 July 2015 and are signed on their behalf by:



Roger De Haan
Chairman
Marlowe Academy

MARLOWE ACADEMY**Cash Flow Statement for the year ended 31 August 2014**

	Notes	2014 £000	2013 £000
Net cash inflow/(outflow) from operating activities	20	9	(477)
Returns on investments and servicing of finance	21	(2)	1
Capital expenditure	22	(31)	(30)
Loan received		200	-
Increase/(Decrease) in cash in the year	23	<u>176</u>	<u>(506)</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2013		239	745
Net funds at 31 August 2014		<u>415</u>	<u>239</u>

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014

1 Statement of Accounting Policies

Basis of preparation

The financial statements have been prepared on a break-up basis and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies' Accounts Direction 2013/14 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below. The reason for adopting the break-up basis is explained below.

Going Concern

Following the year end the Governors have held discussions with the governors of the Ellington & Hereson School with a view to the two schools combining to create one larger school. A process of public consultation concluded in favour and arrangements are being made to complete the process in time for the start of the new school year at the beginning of September 2015.

On completion of the arrangements, the assets and liabilities of the Marlowe Academy will be transferred to a separate entity which will use the assets for the purposes of operating the enlarged school. The Marlowe Academy will cease to operate with effect from 31 August 2015.

Based on the funding arrangements presently in place, the Governors anticipate having sufficient funds to enable the Academy to meet its liabilities as they fall due in the period up to the cessation of operations. Arrangements are also being made by the EFA such that the Marlowe's local government pension scheme deficit will not crystallise on the cessation of the Academy's operations. Given the circumstances described above the Governors have therefore prepared the accounts on a break-up basis.

Incoming Resources

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

Grants receivable

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

General Annual Grant is recognised in full in the 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

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.

Donations

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

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014

1 Statement of Accounting Policies (continues)

Donated Services and gifts in kind

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 Academy policies.

Other Income

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

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

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

Charitable activities

These are costs incurred on the Academy's education operations.

Governance costs

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

All resources expended are stated exclusive of recoverable VAT.

Tangible fixed assets

Assets costing £5,000 or more are initially capitalised as tangible fixed assets and are carried at recoverable amount, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Freehold buildings	2%
Furniture and equipment, plant, fixtures and fittings	10%
Athletics Track	5% - 33%
Computer/media equipment and software	33%
Motor vehicles	33%

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

1 Statement of Accounting Policies (continued)

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

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

Leased assets

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

Stock

The Academy carries small amounts of uniform supplies, catering stock and stationery. These costs have been expensed in the period in which the costs were incurred, rather than being shown as an asset on the balance sheet.

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.

Pension Benefits

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 costs 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 26, 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 settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

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 Governors.

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

1 Statement of Accounting Policies (continued)

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency, the Department for Education, the Local Authority, the Sponsor and other funders where the asset acquired or created is held for a specific purpose. Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency, the Department for Education and the Local Authority.

16-19 Bursary Funds - Agency arrangements

The Academy Trust acts as an agent in the administering of 16-19 Bursary Funds from the EFA. Related payments received from the EFA and subsequent disbursements to students are excluded from the statement of financial activities to the extent that the Academy Trust does not have a beneficial interest in the individual transactions. The allowance of 5% as a contribution to administration costs is however recognised in statement of financial activities. Where funds have not been fully applied in the year then an amount will be included as amounts due to the EFA.

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

2 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Marlowe Academy was subject to limits as at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The Academy Trust has exceeded the limits concerning its use of carried forward GAG for general recurrent purposes during the year ended 31 August 2014. The Academy's use of its reserves to fund on-going activities was discussed at the outset with the DfE and supported.

3 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	2014 Total £000	2013 Total £000
Private Sponsorship	-	4	4	103
	<u>-</u>	<u>4</u>	<u>4</u>	<u>103</u>

4 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	2014 Total £000	2013 Total £000
Hire of facilities	63	-	63	58
Catering Income	50	-	50	57
Uniform sales	30	-	30	14
Other income	8	-	8	28
	<u>151</u>	<u>-</u>	<u>151</u>	<u>157</u>

5 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	2014 Total £000	2013 Total £000
Short term deposits	1	-	1	1
Net return on defined benefit pension scheme	-	(3)	(3)	2
	<u>1</u>	<u>(3)</u>	<u>(2)</u>	<u>3</u>

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

6 Funding for the Academy's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
DfE / EFA capital grants				
. Devolved formula capital allocations	-	17	17	18
. Athletics track capital grant	-	11	11	12
	<u>-</u>	<u>28</u>	<u>28</u>	<u>30</u>
DfE / EFA revenue grants				
. General Annual Grant (GAG) (note 2)	-	4,958	4,958	5,867
. Start Up grant	-	-	-	49
. Other DfE / EFA grant	-	325	325	325
	<u>-</u>	<u>5,283</u>	<u>5,283</u>	<u>6,241</u>
Other Government grants				
. Special educational needs	-	67	67	128
. Other grants	-	14	14	50
. Special educational projects	-	43	43	-
	<u>-</u>	<u>124</u>	<u>124</u>	<u>178</u>
Other incoming resources				
. Staff secondments & consultancy to other academies	7	-	7	7
	<u>7</u>	<u>-</u>	<u>7</u>	<u>7</u>
	<u>7</u>	<u>5,435</u>	<u>5,442</u>	<u>6,456</u>

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

7 Resources Expended

	Staff Costs £000	Non Pay Premises £000	expenditure Other Costs £000	Total 2014 £000	Total 2013 £000
Academy's educational operations					
. Direct costs	3,781	-	345	4,126	5,161
. Allocated support costs	878	1,219	339	2,436	2,709
	4,659	1,219	684	6,562	7,870
Governance costs including allocated support costs	14	-	34	48	40
	4,673	1,219	718	6,610	7,910
Incoming/outgoing resources for the year include:				2014 £000	2013 £000
Operating leases – other leases				59	47
Severance costs				58	102

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

8 Charitable Activities - Academy's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Direct costs				
Teaching and educational support staff costs	2	3,779	3,781	4,641
Educational supplies	4	81	85	80
Examination fees	-	109	109	100
Staff development	-	23	23	49
Educational consultancy (paid directly to AET)	-	-	-	55
Educational consultancy Other	-	102	102	109
Other direct costs	-	26	26	127
	6	4,120	4,126	5,161
Allocated support costs				
Support staff costs	22	856	878	996
Depreciation	-	749	749	769
Recruitment, payroll & personnel	-	31	31	55
Maintenance of premises, cleaning and equipment	-	122	122	138
Rates	-	56	56	54
Insurance	-	141	141	157
Utilities	29	113	142	161
Catering	50	31	81	127
Technology costs	-	65	65	96
Uniforms	15	-	15	21
Telephone	-	26	26	24
Admin, printing, photocopying & other support	-	121	121	111
Bad Debt	-	9	9	-
	116	2,320	2,436	2,709
	122	6,440	6,562	7,870

9 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Legal and professional fees	-	14	14	7
Directors' and officers' insurance	-	1	1	2
Auditors - Audit Fees	-	11	11	11
Auditors - Non Audit Fees	-	8	8	7
Support costs	-	14	14	13
	-	48	48	40

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

10 Staff costs

Staff costs during the period were:	Total 2014 £000	Total 2013 £000
Wages and salaries	3,614	4,405
Social security costs	256	311
Other pension costs	502	647
	<u>4,372</u>	<u>5,363</u>
Supply teacher costs	163	111
Staff Restructuring costs	138	176
	<u>4,673</u>	<u>5,650</u>

Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £57,917 (2013: £102,259). Three of the non-statutory /non-contractual payments exceeded £5,000 individually and these were for £32,458, £14,339 and £6,921.

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

	2014 No.	2013 No.
Charitable Activities		
Teachers	47	57
Administration and support	82	109
Management	4	6
	<u>133</u>	<u>172</u>

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

	2014 No.	2013 No.
£60,001 - £70,000	4	3
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£130,001 - £140,000	-	1

Five of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014, pension contributions for these staff members amounted to £33,733 (2013: £43,401). The other employee participated in the Local Government Pension Scheme, pension contributions amounted to £7,591 (2013: £16,793).

MARLOWE ACADEMY**Notes to the Financial Statements for the year ended 31 August 2014 (continued)****11 Related Party Transactions – Trustees Remuneration and Expenses**

The Principal received remuneration in respect of services he provided undertaking the role of Principal. Other Governors do not receive any payments, other than expenses, from the Academy in respect of their role as Governors. There are no staff Governors. Governors expenses paid during the year amounted to £nil (2013: £327). The Principal's remuneration falls into the following income band:

Cassie Ellins	£50,000 - £60,000 (2013: £130,001-£140,000)
Emma Newman	£60,001 - £70,000 (2013: nil)
Sean Heslop	£70,001 - £80,000 (2013: nil)

During the year ended 31 August 2014, travel and subsistence expenses totalling £54 (2013: £1,888) were reimbursed to the Principal. Other related party transactions involving the trustees are set out in note 27.

12 Governors' and Officers' Insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2014 was £693 (2013 - £2,050).

13 Tangible Fixed Assets

	Freehold Land and Buildings £000	Athletics Track £000	Furniture and Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost						
At 1 September 2013	25,855	1,331	1,039	1,190	88	29,503
Additions	-	17	-	42	-	59
At 31 August 2014	25,855	1,348	1,039	1,232	88	29,562
Depreciation						
At 1 September 2013	3,614	459	692	1,090	77	5,932
Charged in year	521	57	105	56	10	749
Impairment of assets	21,720	832	242	86	1	22,881
At 31 August 2014	25,855	1,348	1,039	1,232	88	29,562
Net book values						
At 31 August 2014	-	-	-	-	-	-
At 31 August 2013	22,241	872	347	100	11	23,571

For the reasons set out in note 1, the Academy's fixed assets have been written down to zero.

MARLOWE ACADEMY**Notes to the Financial Statements for the year ended 31 August 2014 (continued)****14 Debtors**

	2014	2013
	£000	£000
Trade debtors	81	38
Prepayments and accrued income	160	209
VAT Recoverable	4	10
Other debtors	13	66
	<u>258</u>	<u>323</u>

15 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	83	97
EFA creditor: abatement of GAG	406	170
Other creditors	4	3
Accruals and deferred income	248	285
Endowment Fund Loan	200	-
	<u>941</u>	<u>555</u>

The Academy has drawn down on an interest-free loan from its Endowment Fund, the Friends of The Folkestone and Marlowe Academies. It received £200,000 in funds during the year.

Deferred income

	2014
	£000
Deferred Income at 1 September 2013	82
Resources deferred in the year	50
Amounts released from previous years	(82)
Deferred Income at 31 August 2014	<u>50</u>

The deferred income balance at 31 August 2014 consisted of mainly EFA grants.

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

16 Funds

	Balance at 1 September 2013 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2014 £000
Restricted general funds					
General Annual Grant (GAG)	(108)	4,958	(5,239)	110	(279)
Other DfE/EFA grants	10	325	(325)	-	10
Other government grants	1	124	(124)	-	1
Cash donations	-	4	(4)	-	-
Pension reserve	(1,113)	(3)	(47)	(1,559)	(2,722)
	(1,210)	5,408	(5,739)	(1,449)	(2,990)
Restricted fixed asset funds					
DfE/EFA capital grants	19,983	17	(633)	(104)	19,263
Other capital grants	1,231	-	(39)	-	1,192
Capital expenditure from GAG	209	-	(6)	31	234
Private sector sponsorship	2,252	11	(71)	-	2,192
Impairment of fixed assets	-	-	(22,881)	-	(22,881)
	23,675	28	(23,630)	(73)	-
Total restricted funds	22,465	5,436	(29,369)	(1,522)	(2,990)
Unrestricted funds					
Unrestricted funds	-	159	(122)	(37)	-
Total unrestricted funds	-	159	(122)	(37)	-
Total funds	22,465	5,595	(29,491)	(1,559)	(2,990)

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

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

The trust is carrying a net deficit of £268k on restricted general funds (excluding pension reserve) plus unrestricted funds.

There was a transfer of £31,000 to fixed asset reserves to fund capital spend in the year and the use of unrestricted funds accumulated to date transferred to offset the deficit in GAG funding in the year.

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

17 Analysis of net assets between funds

Fund balances at 31 August 2014 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	-	-
Current assets	-	673	-	673
Current liabilities	-	(941)	-	(941)
Pension scheme liability	-	(2,722)	-	(2,722)
Total net assets	-	(2,990)	-	(2,990)

18 Capital commitments

There were no capital commitments at the year end (2013: £nil)

19 Financial commitments

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

	2014 £000	2013 £000
Other		
Expiring within one year	55	18
Expiring within two and five years inclusive	4	40
	59	58

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

	2014 £000	2013 £000
20 Reconciliation of net expenditure to net cash outflow from operating activities		
Net expenditure	(23,896)	(1,191)
Impairment of fixed assets (note 13)	22,881	-
Depreciation (note 13)	749	769
Capital grants from DfE and other capital income	(28)	(30)
Interest receivable (note 5)	(1)	(1)
Interest payable	3	-
FRS17 pension cost less contributions payable (note 26)	47	70
FRS17 pension finance income (note 26)	3	(2)
Decrease/(increase) in debtors	65	246
(Decrease)/increase in creditors	186	(338)
Net cash outflow from operating activities	9	(477)
21 Returns on investments and servicing of finance		
Interest received	1	1
Interest payable	(3)	-
Net cash inflow from returns on investment and servicing of finance	(2)	1
22 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(59)	(60)
Capital grants from DfE/EFA	28	30
Net cash outflow from capital expenditure and financial investment	(31)	(30)
23 Analysis of changes in net funds	At 1 September	At 31 August
	2013	2014
	£000	£000
Cash in hand and at bank	239	415
	239	415

24 Contingent Liabilities

The Academy had no contingent liabilities at 31 August 2014.

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

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2013 (continued)

26 Pension and similar obligations

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent 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 was 31 March 2004 and of the LGPS 31 March 2013.

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

Contributions amounting to £37,000 (2013: £46,000) were payable to the schemes at 31 August 2014 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Regulations (2010) and from 1 April 2014, by the Teachers' Pension Scheme Regulation 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the costs 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 a 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 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. The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in Summer 2014 takes effect from September 2015.

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

26 Pension and similar obligations (continued)

Teachers' Pension Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 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 up to three and a half years outside of the 10 year protection.

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

The Department of Education has continued to work closely with trade unions and other representative bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015. Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £314,023 of which employer's contributions totalled £239,402 and employees' contributions totalled £74,621. The agreed contribution rates for future years are 20.3% for employers and rates varying between 5.5% and 7.5% for employees dependent on their salary.

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Principal Actuarial Assumptions

	At 31 August 2014	At 31 August 2013
Rate of increase in salaries	4.50%	5.10%
Rate of increase for pensions in payment / inflation	2.70%	2.90%
Discount rate for scheme liabilities	4.00%	4.70%
Inflation assumption (CPI)	2.70%	2.90%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 August 2014	At 31 August 2013
<i>Retiring today</i>		
Males	22.7	20.1
Females	25.1	24.1
<i>Retiring in 20 years</i>		
Males	24.9	22.1
Females	27.4	26.0

Sensitivity Analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year ago age rating adjustment to the mortality assumption.

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	+0.1%
Present value of total obligation	5,269	5,409	5,553
Projected service cost	302	311	320
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	5,223	5,409	5,597
Projected service cost	300	311	322

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

26 Pension and similar obligations (continued)

Local Government Scheme (continued)

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

	Expected return at 31 August 2014	Fair value at 31 August 2014	Expected return at 31 August 2013	Fair value at 31 August 2013
		£000		£000
Equities	6.70%	1,834	6.60%	2,989
Gilts	3.00%	33	3.50%	0
Bonds	3.60%	316	4.40%	498
Property	5.90%	274	4.60%	332
Cash	2.90%	114	0.50%	166
Target return portfolio	5.90%	116	5.00%	166
Total market value of assets		2,687		4,151
Present value of scheme liabilities				
- Funded		(5,409)		(5,264)
Deficit in the scheme		(2,722)		(1,113)

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. As at 1 September 2013 for the year to 31 August 2014). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then adjusted to be a margin above gilt yields.

The actual return on the scheme assets was £445,000 (2013: £526,000).

Total expenditure recognised in the Statement of Financial Activities

	2014 £000	2013 £000
Current service cost (net of employee contributions)	309	364
Total operating charge	309	364

Analysis of pension finance (income) / costs

Expected return on pension scheme assets	251	180
Interest on pension liabilities	(254)	(178)
Pension finance costs	(3)	2

MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

26 Pension and similar obligations (continued)

Local Government Scheme (continued)

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

	2014 £000	2013 £000
At 1 September	5,264	4,372
Current service cost	309	364
Interest cost	254	178
Employee contributions	76	91
Actuarial loss	(419)	316
Benefits paid	(75)	(57)
Curtailments and settlements	-	-
At 31 August	5,409	5,264

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

	2014 £000	2013 £000
At 1 September	4,151	3,298
Expected return on assets	251	180
Actuarial gains	(1,978)	345
Employer contributions	262	294
Employee contributions	76	91
Benefits paid	(75)	(57)
At 31 August	2,687	4,151

The estimated value of employer contributions for the year ended 31 August 2015 is £238,000.

The actual gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £2,929,000 loss (2013: £1,370,000 loss).

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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligation at end of year	(5,409)	(5,264)	(4,372)	(2,922)	(2,317)
Fair value of plan assets at end of year	2,687	4,151	3,298	2,540	2,065
	(2,722)	(1,113)	(1,074)	(382)	(252)

Experience adjustments on share of scheme assets

Amount £000	(1,978)	345	138	(52)	139
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Experience adjustments on scheme liabilities

Amount £000	792	-	-	(521)	-
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MARLOWE ACADEMY

Notes to the Financial Statements for the year ended 31 August 2014 (continued)

27 Related Party Transactions

Owing to the nature of the Academy's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures. The following related party transactions took place in the period of account.

Friends of the Folkestone and Marlowe Academies (FFMA) – a company limited by guarantee in which Sir Roger De Haan, Trevor Minter and Graham Badman (trustees of the Academy) are also trustees. The Academy is a beneficiary of the endowment fund.

The Academy received £4,410 (2013: £103,000) in grants for specific educational purposes from The Friends of the Folkestone and Marlowe Academies.

The Academy drew a £200,000 (2013: nil) loan of a facility of up to £300,000 (2013: £300,000). The loan will fall due prior to the cessation of the Academy's operations.

28 Agency Arrangements

The Academy administers the disbursements of the new discretionary support for learners, 16-19 Bursary Funds, on behalf of the EFA. In the year, it received £29,048 and disbursed £28,966, with therefore an amount of £82 repayable by the Academy at the 31 August 2014 and is included in other creditors. The Academy retained a beneficial interest in individual transactions such that £1,309 has been recognised in income and expenditure in the statement of financial activities.