

**Droitwich Spa High School and Sixth  
Form Centre  
(A Company Limited by Guarantee)**



**DROITWICH SPA  
HIGH SCHOOL**

**Annual Report and  
Financial Statements**

**Year ended 31 August 2014**

**Company Registration Number:  
07666185 (England and Wales)**

# Droitwich Spa High School and Sixth Form Centre

## Contents Page

Reference and Administrative Details	1
Trustees' Report	2
Governance Statement	10
Statement on Regularity, Propriety and Compliance	13
Statement of Trustees' Responsibilities	14
Independent Auditor's Report on the financial statements	15
Statement of Financial Activities incorporating Income & Expenditure Account	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Financial Statements, incorporating:	
- Statement of Accounting Policies	20
- Other Notes to the Financial Statements	23
Independent Reporting Accountant's Assurance Report on Regularity	36

## **Droitwich Spa High School and Sixth Form Centre**

### **Reference and Administrative Details**

#### **Trustees**

\* members of the Resources and Audit Committee

R Rhodes\* (Chair)  
A Fisher\*  
D Harris-Smith\* (Staff Trustee)  
R Harris\* (Vice Chair)  
T Kirkham  
D Morris\*  
I Paston\*  
Mr A Quiney (Staff Trustee)  
Rev C Radburn  
H Rollason  
R Seabourne\* (Ceased 31 July 2014)  
N J Waters\* (Headteacher and Accounting Officer)  
C Gallant\*  
J Nicholson  
K Rai (Appointed 1 September 2014)  
A Hartley (Appointed 1 September 2014)

#### **Members**

N Waters (ex officio as headteacher)  
R Rhodes (ex officio as chair of governors)  
H Rollason  
D Morris

#### **Company Secretary**

T Hogan

#### **Senior Management Team:**

Headteacher  
Deputy Headteacher  
Deputy Headteacher (Finance, Data and Resources)  
Head of Upper School

N J Waters  
K E Moore  
J M Brook  
R Elmes

#### **Principal and Registered Office**

Briar Mill  
Droitwich Spa  
WR9 0AA

#### **Company Registration Number**

07666185 (England and Wales)

#### **Independent Auditor:**

Baker Tilly UK Audit LLP  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

#### **Bankers:**

Lloyds TSB  
4 The Cross  
Worcester  
WR1 3PY

#### **Solicitors:**

Stone King  
13 Queen Street  
Bath  
BA1 2HJ

## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report**

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2014.

#### **Structure, Governance and Management**

##### Constitution

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

The Trustees act as the Trustees for the charitable activities of Droitwich Spa High School and Sixth Form Centre and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Droitwich Spa High School and Sixth Form Centre.

Details of the Trustees who served during the year and subsequently are included in the Reference and Administrative Details on page 1.

##### Members' Liability

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

##### Trustees' Indemnities

Subject to the provisions of the Companies Act 2006, every Trustee or other officer of the Academy is provided with indemnity insurance to cover their liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust: Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard of whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Trustees.

##### Principal Activities

The Academy's object, as set out in its Articles of Association, is to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

##### 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 Academy deed. The Trustees are directors of the charitable company for the purposes of the Companies Act 2006 and Trustees for the purposes of the charity legislation.

The term of office for any Trustee is four years, save that this time limit does not apply to the Principal. Subject to remaining eligible to be a particular type of Trustee any Trustee may be reappointed or re-elected. The Trustees who were in office at 31 August 2014 and who served during the year are listed on page 1.

##### Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for new Trustees will depend on their existing experience. Where necessary induction will include training on educational, legal and financial matters. All new Trustees will be given the opportunity of a tour of the Academy, have the chance to meet with staff and students and are provided with copies of key documents, such as policies, procedures, accounts, budgets, plans and other documents they need to undertake their role as Trustees. As there is expected to be only a small number of new Trustees a year, induction will be carried out informally and will be tailored specifically to the individual. All new Trustees are given the opportunity to attend the training for New Trustees run by Worcestershire County Council.

## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report (continued)**

#### Organisational Structure

The new Academy was setup with a management structure to support the Education Brief. The Academy's organisational structure consists of two levels: the Trustees and the Senior Leadership Team.

The Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring its financial and operational performance and making strategic decisions about the direction of the Academy, approving major items of expenditure and making senior staff appointments.

The Trustees have three sub committees, the School Improvement Committee, the Resources and Audit Committee and the Pay Panel. These have approved terms of reference. In the course of the 2013/14 financial year the following meetings were held:

Full Governing Body:	6 meetings
Resources and Audit Committee:	5 meetings
School Improvement Committee:	6 meetings
Pay Panel:	1 meeting

The Trustees have approved a scheme of financial delegation which clearly sets out the level of financial authority delegated to the Headteacher and the Deputy Headteacher – Finance, Data and Resources.

The Senior Leadership Team (SLT) control the Academy at an executive level, implement the policies laid down by the Trustees and report back to them. The SLT is led by the Headteacher. Members of the SLT are responsible for developing and implementing Academy plans which seek to deliver the best possible education for its students within the agreed budget and scheme of delegation approved by Trustees. Members of the SLT are set out on page 1.

#### Risk Management

The Trustees' have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see separate Finance Policy) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover.

## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report (continued)**

#### Connected Organisations, including Related Party Relationships

Droitwich Spa High School has no formal links to any other academy and does not belong to a hard or soft federation. This does not, however, mean that the academy works in isolation.

Droitwich Spa High School belongs to the Aspire Consortium. This is a group of schools in Worcestershire which work together to develop alternative curriculum provision in Worcester City, Martley and Droitwich. The same schools also comprise the local Fair Access Panel which seeks to provide alternatives to permanent exclusion for those whose record suggests that this is looming. The headteacher also has the benefit of a good network of other local Head teachers.

The Aspire Academy, which opened in September 2014, will extend and enhance the alternative educational provision for young people in South Worcestershire. Droitwich Spa High School, which has been centrally involved in the preparation of this scheme, expects to benefit from having an effective and attractive alternative to offer to those of its students for whom mainstream provision has proved unsuitable.

The trustees have continued to work with the school improvement partner who was appointed in 2011-2012.

#### **Objectives and Activities**

##### Objects and Aims

The Academy objective is set out in its Articles of Association. In summary it is to establish, maintain, manage and develop a school offering a broad curriculum. In accordance with the Articles of Association, the Academy has adopted a Funding Agreement approved by the Secretary of State for Education.

##### Objectives, Strategies and Activities

The School's overarching aim in this period remained to provide a first class education for the young people of Droitwich Spa and the surrounding area. The school has striven to offer an environment that is caring yet challenging. In addition to achieving the best academic results, the school has also tried to ensure that its students become self-confident, rounded individuals, life-long learners who will find fulfilment in a complex and demanding world. In doing this we have held to the traditional values of respect, honesty, hard work, determination and good manners, but have also tried to encourage boldness, creativity and team work.

Beyond this, the school aims to offer an education for the whole individual, providing excellent opportunities for personal development as well as academic success. In this the school seeks to provide for the cultural, physical, spiritual as well as the academic education of students. The wide range of extra-curricular activities, educational trips and partnership projects extended to – and taken up by – our students contributes to a school which is happy and in which individuals thrive.

## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report (continued)**

#### Public Benefit

The Academy has considered the Charity Commission's guidance on Public Benefit. The key public benefit delivered by the Academy is the provision of a high quality of education to its students.

#### **Strategic Report**

##### Achievements and Performance

The final phase of preparation for public examinations is inevitably a time of some tension as well as anticipation. The year 2014 added an element of anxiety as a result of a change in the format and the demands of the GCSE examination English Language. The school was generally pleased with the way in which its candidates responded to the late withdrawal of a particular part of the assessment and one on which many of them relied, with 62% of the year group gaining at least a C grade. In the other critical GCSE subject, Mathematics, 65% of the cohort achieved a C grade and 20% achieved an A or an A\*. The school drew much satisfaction from the much stronger results in Science. The percentage of students gaining 2A\*-C in Science rose from 44% in 2013 to 71% in 2014.

When overall results were analysed the school was particularly pleased with the results of its highest achievers, with 10% of the cohort gaining at least 8 GCSEs at A or A\*. This was to be warmly commended in itself; it also promised to give pace and depth to the school's Sixth Form over the coming two years.

In 2014 there was, as the trustees had anticipated, a drop in the headline figures at A2. The overall points score per student fell from 850 in 2013 to 740. Value added analysis, however, shows that these results represented good progress for this particular group of students. Among them were a number of outstanding individual performances and the consequent entry of several former students to the country's most competitive universities. The results of the students who sat the AS examinations were strong with some very promising grades across a range of subjects.

##### Key Performance Indicators

The Academy uses the Key Performance Indicators as per Ofsted:

- The Achievement of Students
- The Quality of Teaching
- The Standard of Behaviour and Safety
- The Quality of Leadership and Management

## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report (continued)**

#### **Financial Review**

##### Financial and Risk Management Objectives and Policies

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

The Academy also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2014, total expenditure of £7,702,000 was partly covered by recurrent grant funding from the EFA together with other incoming resources. The excess of income over expenditure for the year (excluding restricted fixed asset funds) was £16,000. Resources were used to; provide education to the students of the Academy and to; support the delivery of the Ofsted Action Plan.

At 31 August 2014 the net book value of fixed assets was £7,184,000. Additions of £81,000 were made during the year partly funded from recurrent grant funding from the EFA together with capital grants. Assets were used exclusively for providing education and the associated support services to the students of the Academy.

The principal financial management policies adopted in the year were Finance, Charging, Pay, Local Government Pension Scheme Discretions, Casual Lettings, Anti Fraud and Corruption (inc Gifts and Hospitality) and Performance Management.

The key financial performance priorities were to ensure that a balanced budget was delivered and that all the financial responsibilities operating as an academy converter school were continued to be embedded. Both of these priorities have been achieved.

#### **Plans for Future Periods**

##### **Overall Aim**

Following the successful inspection in November 2012 the academy is now aiming to be recognised as an Outstanding School, one where teaching and assessment are of a consistently high standard leading to excellent rates of progress for all of its students.

We expect rates of progress to increase so that:

- a) The headline figure for 5A\*-C in 2014 is in line with FFT D target
- b) Attainment in English and Maths remain above the national average
- b) Outcomes for all groups of students in the school are at least in line with FFT D targets at the end of Key Stage 4, with a particular focus upon students who attract the Pupil Premium
- d) In English and Maths the percentage of pupils making good between Key Stage 2 and Key Stage 4 remains above the national floor target and increasing numbers of students are making outstanding progress
- e) In the Sixth Form the percentage of students reaching and exceeding indicative grades at AS and A2 increases so that progress in all subjects remains significantly above expectation



## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report (continued)**

#### **Plans for Future Periods (continued)**

In order to achieve these aims the academy has identified these priorities:

##### **Priority 1: Achievement**

Increase the rates of progress of all students and raise achievement in all subjects by:

- a) Having a particular focus on English, Maths, Science, ICT and Design and Technology
- b) Focusing on those students with indicative grades between C and F
- c) Meeting the academic needs of all students and in particular those who attract the Pupil Premium

##### **Priority 2: Teaching and Assessment**

Improve the quality of teaching so that all lessons are consistently 'Good' and 50% are consistently 'Outstanding' by:

- a) Having a particular focus on the quality of marking, assessment and feedback
- b) Ensuring that homework is set, marked and followed up effectively
- c) Ensuring effective differentiation in all lessons
- d) Continuing to raise the quality of literacy across all subjects (Ofsted target 2012)

##### **Priority 3: Leadership and Management**

Increase the school's capacity for sustained improvement by:

- a) Ensuring that appropriate curriculum changes take place to reflect changes in the National Curriculum and new accountability measures
- b) Extending the current good and outstanding practice in middle leadership to all areas of the school
- c) Ensuring that the provision of Careers Information, Advice and Guidance is more systematic so that students receive all the information they need to make appropriate decisions about their futures, especially at Key Stage 4. (Ofsted target 2012)

##### **Priority 4: Behaviour and Safety**

Improve this area of the school's work by:

- a) Expanding the capacity of the pastoral team to help maintain the highest standards in all lessons
- b) Responding to national initiatives relating to Safeguarding children

##### **Priority 5: SMSC**

Develop students' Spiritual, Moral, Social and Cultural knowledge and experience by:

- a) Auditing and assessing where it is developing students' spiritual, moral, social and cultural knowledge, in all subjects, so that there is a coherent overview of the work being done in this area (Ofsted target 2012)
- b) Responding to the audit to ensure appropriate opportunities are available for all students

# Droitwich Spa High School and Sixth Form Centre

## Trustees' Report (continued)

### Future Financial Consideration

Prudent financial management has meant that the school will carry forward £441k into 14/15. The budget for the 14/15 academic year includes a plan to use approximately £220k of this reserve. Despite cost cutting measures, particularly the non-replacement of departing staff, the drop in funding from government and local authority and an increase in LGPS contributions is putting huge strain on the school's finances.

Budgeting for 15/16 is currently underway and there are further significant challenges. The removal of NI discount for 'contracted out' pensions, combined with an increase in the employers' contributions to teachers' pensions, will significantly increase the cost base for the school. There is a percentage increase in funding from government but a falling roll, due to local demographics, means that in cash terms a similar income level is expected despite rising costs. Setting a balanced budget for 15/16 is going to be incredibly challenging.

### Principal Risks and Uncertainties

The Academy has undertaken further work during the period to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Academy's assets and reputation.

Based on its Terms of Reference, the Resources and Audit Committee undertakes a comprehensive review of the risks to which the Academy is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Academy. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Resources and Audit Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the Academy.

A risk register is maintained at the Academy. This identifies the key risks, the likelihood of those risks occurring, their potential impact on the Academy and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the Academy. Not all the factors are within the Academy's control. Other factors besides those listed below may also adversely affect the Academy.

- Strategic & Reputational
- Operational Risk
- Compliance Risk
- Financial Risk.

#### 1. Government funding

The Academy has considerable reliance on continued government funding through the EFA. In 2013/14 95% of the Academy's revenue was ultimately public funded and this level of requirement is expected to continue. There are and can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the Academy is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the EFA.

## **Droitwich Spa High School and Sixth Form Centre**

### **Trustees' Report (continued)**

#### Principal Risks and Uncertainties (continued)

##### **2. Maintain adequate funding of pension liabilities**

The financial statements report the share of the pension scheme deficit on the Academy's balance sheet in line with the requirements of FRS 17.

#### Reserves Policy

The Trustees review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The academy's current level of reserves (total funds less the amount held in fixed assets and the pension deficit) is £441,000.

#### Investment Policy

The Academy does not currently have an investment policy as there are no investments. Should a decision be taken to consider a strategy requiring investment, this would be enshrined in policy.

#### Going Concern

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

#### Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

#### **Statement as to disclosure of information to auditors**

The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Trustees' Annual Report is approved by order of the board of trustees and the Strategic Report (included therein) is approved by the board of trustees in their capacity as the directors at a meeting on 10 December 2014.

Signed:  .....

Rod Rhodes  
Chair

# Droitwich Spa High School and Sixth Form Centre

## Governance Statement

### Scope of Responsibility

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

The board of Trustees has delegated the day-to-day responsibility to the Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Droitwich Spa High School and Sixth Form Centre and the Secretary of State for Education. They are also responsible for reporting to the board of Trustees any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Trustees Report and in the Statement of Trustees' responsibilities. The board of Trustees has formally met 6 times during the year. Attendance at the meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr A Fisher	5	6
Mrs C Gallant	5	6
Miss D Harris-Smith	3	6
Mr R Harris	6	6
Mr T Kirkham	6	6
Mr D Morris	2	6
Mrs J Nicholson	6	6
Mr I Paston	5	6
Mr A Quiney	5	6
Rev C Radburn	3	6
Mr R Rhodes	5	6
Mrs H Rollason	6	6
Mr R Seabourne	1	6
Mrs N Waters	6	6

### Governance reviews

The board of trustees has conducted a detailed skills audit to ensure it is fully equipped to operate as a highly effective governing body. The findings confirmed that trustees have a wide range of relevant skills, interests and experience. However, the results highlighted a gap in legal expertise and a requirement for increased experience in finance and accounting. The board of trustees actively sought to recruit two governors who could offer these skills and successfully appointed at the end of July 2014. Additional training was offered to all existing trustees through a variety of methods to suit individuals' availability and preferences.

The impact has improved the ability of trustees to review and question all sources of data presented to them and contribute to strategic decision making.

A review of governance is planned to take place during the summer term 2015 using Ofsted's guidance for outstanding governing bodies and the National Governors Association tool kit for self-evaluation.

## Droitwich Spa High School and Sixth Form Centre

### Governance Statement (*continued*)

The Resources and Audit Committee is a sub-committee of the main board of Trustees. Its purpose is to:

- Recommendation of the annual budget plan to the Governing Body
- Consider the budget position at least termly and report significant anomalies to the Governing Body
- Annually review charges and policies including Finance, Charging, Casual Lettings and Health & Safety.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mr A Fisher	4	5
Mrs C Gallant	5	5
Mr R Harris	4	5
Mrs D Harris-Smith	3	3
Mr D Morris	0	5
Mr I Paston	5	5
Mr R Rhodes	4	5
Mr R Seabourne	1	5
Mrs N Waters	5	5

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Droitwich Spa High School and Sixth Form Centre for the period ended 31 August 2014 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 trust 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 on-going process for identifying, evaluating and managing the academy trust'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 board of Trustees.

### The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of Trustees;
- regular reviews by the Resources and Audit 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.

## **Droitwich Spa High School and Sixth Form Centre**

### **Governance Statement (continued)**

#### **The Risk and Control Framework (continued)**

The academy trust's system of internal financial control is based on a framework of regular

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 Pershore High School's Business Manager, Russell Dalton, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the academy trust'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 Trustee's financial responsibilities.

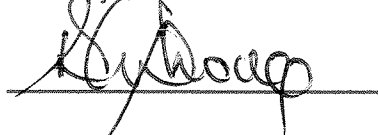
#### **Review of Effectiveness**

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

- the work of the 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 trust 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 Resources and 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 board of Trustees on 10<sup>th</sup> December 2014 and signed on its behalf by:



**Rod Rhodes, Chair**



**Natalie Waters, Accounting Officer**

## **Droitwich Spa High School and Sixth Form Centre**

### **Statement on Regularity, Propriety and Compliance**

As accounting officer of Droitwich Spa High School and Sixth Form Centre I have considered my responsibility to notify the academy trust 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 trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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

*N. J. Waters.*

---

**Natalie Waters, Accounting Officer**  
**10<sup>th</sup> December 2014**

## **Droitwich Spa High School and Sixth Form Centre**

### **Statement of Trustees' Responsibilities**

The Trustees (who act as governors for charitable activities of Droitwich Spa High School and Sixth Form Centre and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Trustees report (including the strategic 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 in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The 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 10<sup>th</sup> December 2014 and signed on its behalf by:



---

**Rod Rhodes, Chair**



## **Droitwich Spa High School and Sixth Form Centre**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DROITWICH SPA HIGH SCHOOL AND SIXTH FORM CENTRE YEAR ENDING ON 31 AUGUST 2014**

We have audited the financial statements of Droitwich Spa High School and Sixth Form Centre for the year ended 31 August 2014 on pages 17 to 35. 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 to 2014 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 trustees and auditor**

As explained more fully in the Statement of Trustees Responsibilities set out on page 14, the trustees (who 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 to 2014 issued by the Education Funding Agency.

#### **Opinion on other requirement of the Companies Act 2006**

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

**Droitwich Spa High School and Sixth Form Centre**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DROITWICH SPA HIGH SCHOOL  
AND SIXTH FORM CENTRE  
YEAR ENDING ON 31 AUGUST 2014 (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 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*

RICHARD ECCLES

(Senior Statutory Auditor)

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

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

*16 December* 2014

**Droitwich Spa High School and Sixth Form Centre**  
**Statement of Financial Activities for the year ended 31 August 2014**  
**(including Income and Expenditure Account and Statement of Total**  
**Recognised Gains and Losses)**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2014 £000	Total 2013 £000
<b>Incoming resources</b>						
<i>Incoming resources from generated funds:</i>						
Voluntary income	3	64	108	-	172	181
Activities for generating funds	4	13	194	-	207	190
Investment income	5	1	-	-	1	1
<i>Incoming resources from charitable activities:</i>						
Funding for the academy's educational operations	6	-	6,906	40	6,946	7,589
<b>Total incoming resources</b>		<b>78</b>	<b>7,208</b>	<b>40</b>	<b>7,326</b>	<b>7,961</b>
<b>Resources expended</b>						
<i>Cost of generating funds:</i>						
- Costs of generating voluntary income	7	(6)	(114)	-	(120)	(130)
<i>Charitable activities:</i>						
- Academy's educational operations	8	(8)	(7,085)	(473)	(7,566)	(8,386)
Governance costs	9	-	(16)	-	(16)	(54)
<b>Total resources expended</b>	7	<b>(14)</b>	<b>(7,215)</b>	<b>(473)</b>	<b>(7,702)</b>	<b>(8,570)</b>
<b>Net (outgoing) / incoming resources before transfers</b>		<b>64</b>	<b>(7)</b>	<b>(433)</b>	<b>(376)</b>	<b>(609)</b>
Gross transfers between funds	16	(41)	-	41	-	-
<b>Net (expenditure) / income for the year</b>		<b>23</b>	<b>(7)</b>	<b>(392)</b>	<b>(376)</b>	<b>(609)</b>
<i>Other recognised gains and losses</i>						
Actuarial (losses) / gains on defined benefit pension schemes	24	-	(640)	-	(640)	52
<b>Net movement in funds</b>		<b>23</b>	<b>(647)</b>	<b>(392)</b>	<b>(1,016)</b>	<b>(557)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 September 2013	16	-	(1,208)	7,576	6,368	6,925
<b>Total funds carried forward at 31 August 2014</b>	16	<b>23</b>	<b>(1,855)</b>	<b>7,184</b>	<b>5,352</b>	<b>6,368</b>

All of the academy's activities derive from continuing operations during the above two financial years.

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

The notes on pages 20 to 35 form part of these financial statements.



## Droitwich Spa High School and Sixth Form Centre

### Cash Flow Statement for the year ended 31 August 2014

	Notes	2014 £000	2013 £000
<b>Net cash outflow from operating activities</b>	19	(140)	(382)
Return on investments and servicing of finance	20	1	1
Capital expenditure and financial investment	21	(41)	389
<b>(Decrease)/Increase in cash in the year</b>	22	<u>(180)</u>	<u>8</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/Increase in cash in the year		(180)	8
Net funds at 1 September 2013		<u>807</u>	<u>799</u>
<b>Net funds at 31 August 2014</b>		<u>627</u>	<u>807</u>

## **Droitwich Spa High School and Sixth Form Centre**

### **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 under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 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:

##### **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 company to continue as a going concern. The Trustees make this assessment in respect of a year of one year from the date of approval of the financial statements.

##### **Incoming Resources**

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

##### **• Grants receivable**

Grant income is 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.

The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is recognised on a receivable basis and is credited directly to the Statement of Financial Activities, incoming resources from charitable activities, to the extent of the entitlement of the funds, any abatement in respect of the period is deducted from income and is recognised as a liability.

Capital grants are recognised on a receivable basis to the extent there is entitlement.

Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. 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.

##### **• Donations**

Donations are recognised on a receivable basis where there is certainty of receipt and it is measurable.

##### **• Other income**

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

##### **• Donated Services and gifts in kind**

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

## Droitwich Spa High School and Sixth Form Centre

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

#### 1. Statement of Accounting Policies (continued)

##### Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance Costs**

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

All resources expended are inclusive of irrecoverable VAT.

##### Tangible Fixed Assets

Assets costing £500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet.

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

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

Long leasehold buildings	25 years
Equipment	3 years

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

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

## **Droitwich Spa High School and Sixth Form Centre**

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

#### **1. Statement of Accounting Policies (continued)**

##### **Leased Assets**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

##### **Taxation**

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

##### **Pensions Benefits**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS') (until April 2016), and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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



## Droitwich Spa High School and Sixth Form Centre

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

#### 1. Statement of Accounting Policies (continued)

##### Fund Accounting

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

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

#### 2. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the academy trust was subject to limits 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 not exceeded these limits during the year ended 31 August 2014.

#### 3. Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Trip income	-	102	102	123
Private sponsorship	-	6	6	31
Other donations	64	-	64	27
	<u>64</u>	<u>108</u>	<u>172</u>	<u>181</u>

#### 4. Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Hire of facilities	13	-	13	27
Catering income	-	194	194	163
	<u>13</u>	<u>194</u>	<u>207</u>	<u>190</u>

#### 5. Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Short term deposits	1	-	1	1
	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>

## Droitwich Spa High School and Sixth Form Centre

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

#### 6. Funding for academy's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
<b>DfE/EFA capital grants</b>				
- Main academy buildings	-	40	40	496
<b>DfE/EFA revenue grants</b>				
- General Annual Grant (GAG) (note 2)	-	6,286	6,286	6,579
- Other DfE/EFA grants	-	154	154	195
- Insurance	-	222	222	136
	-	6,662	6,662	6,910
<b>Other Government grants</b>				
- Local authority grant	-	244	244	183
	-	6,946	6,946	7,589

#### 7. Resources Expended

	Staff Costs £000	Non pay expenditure		Total 2014 £000	Total 2013 £000
		Premises £000	Other costs £000		
Costs of generating voluntary income Academy's educational operations	-	-	120	120	130
- Direct costs	4,870	322	326	5,518	5,718
- Allocated support costs	799	559	690	2,048	2,668
	5,669	881	1,136	7,686	8,516
Governance costs	-	-	16	16	54
	5,669	881	1,152	7,702	8,570

#### Net (outgoing)/incoming resources for the year include:

	Total 2014 £000	Total 2013 £000
Operating leases	34	32
Fees payable to auditor		
- Audit of the financial statements	8	11
- Accountancy	2	-
- Comparison study	14	-
Depreciation of fixed assets	473	441

## Droitwich Spa High School and Sixth Form Centre

### 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
<b>Direct costs</b>				
Teaching and educational support staff costs	-	4,870	4,870	5,032
Depreciation	-	322	322	322
Educational supplies	-	295	295	328
Staff development	-	28	28	34
Other direct costs	-	3	3	2
	<u>-</u>	<u>5,518</u>	<u>5,518</u>	<u>5,718</u>

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
<b>Allocated support costs</b>				
Support staff costs	-	799	799	896
Depreciation	-	151	151	119
Recruitment and support	-	7	7	21
Maintenance of premises and equipment (including window & roofing replacement)	-	232	232	645
Catering	-	102	102	86
Other occupancy	-	176	176	170
Other support costs	8	512	520	731
Pension finance cost	-	61	61	-
	<u>8</u>	<u>2,040</u>	<u>2,048</u>	<u>2,668</u>
	<u>8</u>	<u>7,558</u>	<u>7,566</u>	<u>8,386</u>

#### 9. Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Auditor's remuneration	-	16	16	11
Support costs	-	-	-	43
	<u>-</u>	<u>16</u>	<u>16</u>	<u>54</u>

## Droitwich Spa High School and Sixth Form Centre

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

#### 10. Staff costs

	2014 £000	2013 £000
Wages and salaries	4,617	4,768
Social security costs	331	354
Pension costs	658	725
	<u>5,606</u>	<u>5,847</u>
Temporary staff	17	73
Compensation payments	46	51
	<u>5,669</u>	<u>5,971</u>

Included within compensation payments is one non-contractual payment of £15,000.

The average number of persons (including senior management team) employed by the academy during the year was as follows:

	2014	2013
<b>Charitable activities</b>		
	No.	No.
Teachers – full time	62	66
Teachers – part time	32	29
Education support	36	24
Administration and other	56	65
Leadership Team	14	14
	<u>200</u>	<u>198</u>

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

	2014 £000	2013 £000
£60,000 - £70,000	1	2
£70,001 - £80,000	1	1
£90,001 - £100,000	1	1
	<u>3</u>	<u>4</u>

Three of the above employees participated in the Teachers' pension scheme. During the year ended 31 August 2014, pension contributions for these staff amounted to £ 28,412 (2013: £27,849). The other employee participated in the Local Government Pension Scheme, pension contributions amounted to £nil (2013: £10,706).

## Droitwich Spa High School and Sixth Form Centre

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

#### 11. Related Party Transactions – Trustees' Remuneration & Expenses

Head teacher and staff governors only receive remuneration in respect of services they provide under the roles of Head teacher and staff members and not in respect of services as Trustees. Other Trustees did not receive any payments, other than expenses from the Academy Trust in respect of their roles as trustees. The value of Trustees' remuneration was as follows:

The value of the Head teacher's remuneration was £83,061 in the year to 31 August 2014 (2013: £80,244), together with pension contributions of £11,712 (2013: £11,314).

The value of staff Trustees' remuneration in aggregate, for the same period was £89,539 (2013: £89,453), together with pension contributions of £12,625 (2013: £12,613).

During the year ended 31 August 2014, no travel and subsistence expenses were reimbursed to Trustees (2013: £177 was reimbursed to 3 Trustees).

#### 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 £3,000,000 on any one claim and the cost for the year ended 31 August 2014 was £2,703 (2013: £2,256).

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

#### 13. Tangible Fixed Assets

	Leasehold Land and Buildings £000	Equipment £000	Total £000
<b>Cost</b>			
At 1 September 2013	8,060	364	8,424
Additions	-	81	81
At 31 August 2014	<u>8,060</u>	<u>445</u>	<u>8,505</u>
<b>Depreciation</b>			
At 1 September 2013	644	204	848
Charged in the year	322	151	473
At 31 August 2014	<u>966</u>	<u>355</u>	<u>1,321</u>
<b>Net book values</b>			
At 31 August 2013	<u>7,416</u>	<u>160</u>	<u>7,576</u>
At 31 August 2014	<u>7,094</u>	<u>90</u>	<u>7,184</u>

## Droitwich Spa High School and Sixth Form Centre

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

#### 14. Debtors

	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Trade debtors	14	20
Other debtors	68	59
Prepayments and accrued income	74	59
	<u>156</u>	<u>138</u>

All amounts shown within debtors fall due for repayment within one year.

#### 15. Creditors: amounts falling due within one year

	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Trade creditors	153	285
Other taxation and social security	96	194
Accruals and deferred income	93	75
	<u>342</u>	<u>554</u>

#### Deferred Income

Deferred income at 1 September 2013	51	101
Resources deferred in the year	83	51
Amounts released from previous years	<u>(51)</u>	<u>(101)</u>
Deferred income at 31 August 2014	<u>83</u>	<u>51</u>

At the balance sheet date funds were received in advance for the following:

Trips that took place after 31 August 2014; pupil premium received in July for the period July – September 2014; DFC received in June for the year April – March 2015; and SGO funding received in April for the year April – March 2015.

Droitwich Spa High School and Sixth Form Centre

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
<b>Restricted general funds</b>					
General Annual Grant (GAG)	391	6,286	(6,507)	-	170
Other DfE/EFA grants	-	376	(218)	-	158
Local authority grants	-	244	(244)	-	-
Other Income	-	302	(212)	-	90
Pension reserve	(1,599)	-	(34)	(640)	(2,273)
	<u>(1,208)</u>	<u>7,208</u>	<u>(7,215)</u>	<u>(640)</u>	<u>(1,855)</u>
<b>Restricted fixed asset funds</b>					
Capital expenditure from other funds	107	-	-	(17)	90
DfE/EFA capital grants	53	40	(151)	58	-
Main academy building	7,416	-	(322)	-	7,094
	<u>7,576</u>	<u>40</u>	<u>(473)</u>	<u>41</u>	<u>7,184</u>
<b>Total restricted funds</b>	<u>6,368</u>	<u>7,248</u>	<u>(7,688)</u>	<u>(599)</u>	<u>5,329</u>
<b>Unrestricted funds</b>					
General fund	-	78	(14)	(41)	23
<b>Total unrestricted funds</b>	<u>-</u>	<u>78</u>	<u>(14)</u>	<u>(41)</u>	<u>23</u>
<b>Total funds</b>	<u>6,368</u>	<u>7,326</u>	<u>(7,702)</u>	<u>(640)</u>	<u>5,352</u>

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	Balance at 31 August 2014 £000
Tangible fixed assets	-	-	7,184	7,184
Current assets	148	635	-	783
Current liabilities	(125)	(217)	-	(342)
Pension Scheme Liability	-	(2,273)	-	(2,273)
<b>Total net assets</b>	<u>23</u>	<u>(1,855)</u>	<u>7,184</u>	<u>5,352</u>

## Droitwich Spa High School and Sixth Form Centre

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

#### 18. Financial commitments

##### Operating leases

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

	Total 2014 £000	Total 2013 £000
<b>Other</b>		
Expiring within one year	32	-
Expiring within two and five years inclusive	8	32
	<u>40</u>	<u>32</u>

#### 19. Reconciliation of net deficit to net cash outflow from operating activities

	Total 2014 £000	Total 2013 £000
Net deficit	(376)	(609)
Depreciation (note 13)	473	441
Capital grants from DfE and other capital income	(40)	(496)
Interest receivable (note 5)	(1)	(1)
FRS 17 pension cost less contributions payable (note 24)	(27)	(19)
FRS 17 pension finance cost (note 24)	61	62
(Increase)/decrease in debtors	(18)	47
(Decrease)/increase in creditors	(212)	193
Net cash outflow from operating activities	<u>(140)</u>	<u>(382)</u>

#### 20. Returns on investments and servicing of finance

	Total 2014 £000	Total 2013 £000
Interest received	1	1
Net cash inflow from returns on investment and servicing of finance	<u>1</u>	<u>1</u>

#### 21. Capital expenditure and financial investment

	Total 2014 £000	Total 2013 £000
Purchase of tangible fixed assets	(81)	(107)
Capital grants from DfE/EFA	40	496
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>(41)</u>	<u>389</u>



## Droitwich Spa High School and Sixth Form Centre

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

#### 22. Analysis of changes in net funds

	At 1 September 2013 £000	Cash Flows £000	At 31 August 2014 £000
Cash in hand	807	(180)	627

#### 23. Members Liability

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

#### 24. Pension and similar obligations

The Academy Trust'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 Worcestershire 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 2012 and of the LGPS 31 March 2013.

Contributions amounting to £nil (2013: £87,000) were payable to the schemes at 31 August 2014 and are included within creditors.

##### Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## **Droitwich Spa High School and Sixth Form Centre**

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

#### **25. Pension and similar obligations (continued)**

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

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, scheme valuations had been suspended since the last valuation in 2004.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is 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 investigation, 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.

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

##### **Employer and employee contribution rates**

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, 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 cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2013 to 31 March 2014, the employee contribution rate ranged between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

## Droitwich Spa High School and Sixth Form Centre

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

#### 26. Pension and similar obligations (continued)

##### Employer and employee contribution rates (continued)

The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015 and an employee cost cap of 10.9%, both to be set in regulations. The employer contribution rate will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the year amounted to £483k (2013: £559k).

Under the definitions set out in Financial Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Academy Trust has taken the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The Academy Trust has set out above the information available on the scheme and the implications for the Academy Trust in terms of the anticipated rates.

##### 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 £255,000 (2013: £237,000), of which employer's contributions totalled £202,000 (2013: £185,000) and employees' contributions totalled £53,000 (2013: £52,000).

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

##### Principal Actuarial Assumptions

	At 31 August 2014	At 31 August 2013
Rate of CPI inflation	2.2%	2.4%
Rate of increase in salaries	3.7%	3.9%
Rate of increase in pension	2.2%	2.4%
Discount rate	4.0%	4.6%

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

	Total 2014	Total 2013
Retiring today		
Males	23.3	22.5
Females	25.7	25.0
Retiring in 20 years		
Males	25.5	24.3
Females	28.0	27.0

**Droitwich Spa High School and Sixth Form Centre**

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

**24. Pension and similar obligations (continued)**

**Local Government Pension Scheme (continued)**

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

	<b>Expected rate of return at 31 August 2014 £000</b>	<b>Fair value at 31 August 2014 £000</b>	<b>Expected rate of return at 31 August 2013 £000</b>	<b>Fair value at 31 August 2013 £000</b>
Equities	7.0%	533	7.0%	626
Other bonds	3.8%	38	4.4%	42
Cash/liquidity	0.5%	7	0.5%	26
Total market value of assets		<u>578</u>		<u>694</u>
Present value of scheme liabilities				
– funded		<u>(2,851)</u>		<u>(2,293)</u>
<b>Deficit in the scheme</b>		<u><b>(2,273)</b></u>		<u><b>(1,599)</b></u>

The actual return on scheme assets was £66,000 (2013: £85,000).

Amounts recognised in the statement of financial activities:

	<b>Expected return at 31 August 2014 £000</b>	<b>Expected return at 31 August 2013 £000</b>
Current service cost (net of employee contribution)	(175)	(166)
Total operating charge	<u>(175)</u>	<u>(166)</u>
<b>Analysis of pension finance costs</b>		
Expected return on pension scheme	45	33
Interest on pension liabilities	(106)	(95)
<b>Pension finance costs</b>	<u><b>(61)</b></u>	<u><b>(62)</b></u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £773,000 loss (2013: £133,000 loss).

## Droitwich Spa High School and Sixth Form Centre

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

#### 24. Pension and similar obligations (continued)

##### Local Government Pension Scheme (continued)

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

	2014 £000	2013 £000
Benefit obligations at start of period	2,293	2,010
Current service cost	175	166
Interest cost	106	95
Employee contributions	53	52
Actuarial loss	431	-
Benefits paid	(207)	(30)
<b>At 31 August 2014</b>	<u>2,851</u>	<u>2,293</u>

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

	2014 £000	2013 £000
Fair value of scheme assets at start of period	694	402
Expected return on assets	45	33
Actuarial (loss)/gain	(209)	52
Employer contributions	202	185
Member contributions	53	52
Benefits paid	(207)	(30)
<b>At 31 August 2014</b>	<u>578</u>	<u>694</u>

The estimated value of employer contributions for the year ended 31 August 2014 is £202,000 (31 August 2013: £185,000).

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

	2014 £'000	2013 £'000
<b>Present value of defined benefit obligations</b>	(2,851)	(2,293)
Fair value of share of scheme assets	<u>578</u>	<u>694</u>
Deficit in the scheme	<u>(2,273)</u>	<u>(1,599)</u>
<b>Experience adjustments on share of scheme assets</b>		
Amount £'000	(209)	52
Amount %	36.2%	7.5%
<b>Experience adjustments on share of scheme liabilities</b>		
Amount £'000	(171)	-
Amount %	6%	-

## **Droitwich Spa High School and Sixth Form Centre**

### **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO DROITWICH SPA HIGH SCHOOL AND SIXTH FORM CENTRE AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 3 November 2014 and further to the requirements of the Education Funding Agency ('EFA') as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Droitwich Spa High School and Sixth Form Centre during the period 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Droitwich Spa High School and Sixth Form Centre and the EFA in accordance with the terms of our engagement letter dated 4 November 2014. Our work has been undertaken so that we might state to the Droitwich Spa High School and Sixth Form Centre and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Droitwich Spa High School and Sixth Form Centre and the EFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Droitwich Spa High School and Sixth Form Centre's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Droitwich Spa High School and Sixth Form Centre's funding agreement with the Secretary of State for Education dated 30 June 2011 and the Academies Financial Handbook extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

## **Droitwich Spa High School and Sixth Form Centre**

### **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO DROITWICH SPA HIGH SCHOOL AND SIXTH FORM CENTRE AND THE EDUCATION FUNDING AGENCY (CONTINUED)**

#### **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 period 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**BAKER TILLY UK AUDIT LLP**  
Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

16 December 2014