

Company Registration Number: 04967658 (England & Wales)

GRACE ACADEMY
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

GRACE ACADEMY
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

Grace Foundation
T Boxall
Lord Edmiston
Lady Edmiston
S Chase (resigned 31 July 2018)

Trustees

T Boxall
Lord Edmiston (Chairman)
Lady Edmiston
I Baker
G Spicer
S Chase (resigned 31 July 2018)
C Staley (resigned 25 June 2018)
A Edmiston

Company secretary

T Boxall

Senior Management Team

Chief Executive Officer	J Clarke (Accounting Officer)
Principal - GA Solihull	D Gelder
Principal - GA Coventry	A Monga
Principal - GA Darlaston	C Salt
Director of Corporate Development	J Wood
Chief Finance Officer	M Ison

Company name

Grace Academy

Registered office

The Pavilion, Manor Drive, Coleshill, West Midlands, B46 1DL

Company registered number

04967658

Independent auditor

Crowe U.K. LLP, Black Country House, Rounds Green Road, Oldbury, West Midlands, B69 2DG

Bankers

National Westminster Bank Plc, 1 St Phillips Place, Birmingham, B3 2PP

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

Solicitors

Stone King, 16 St. John's Square, London, EC1M 4BS

Internal auditor

R Turton

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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2017 to 31 August 2018. The Annual report serves the purposes of both a Trustees' report, and a Directors' report under company law. The trust operates 3 secondary academies in the Midlands.

STRUCTURE GOVERNANCE AND MANAGEMENT

Constitution

The academy trust is a charitable 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 of Grace Academy are also the directors of the charitable company for the purpose of company law. The charitable company is known as Grace Academy.

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' and Governors' indemnities

The charitable company is covered for indemnity as part of the ESFA's Risk Protection Arrangement which provides cover for trustees and governors for liabilities arising from negligent acts, dishonesty, errors and omissions during the year.

Method of recruitment and appointment or election of Trustees

In accordance with our Articles of Association the principal sponsor, Grace Foundation, is allowed to appoint the majority of trustees. The trust shall have up to nine sponsor trustees, a trustee from each academy Local Governing Body within the trust, parent trustees (up to one per each total of ten sponsor academy trustees) and additional trustees up to a maximum equal to the total of all other trustees (sponsor, academy and parent) plus one.

Sponsor trustees may be appointed by the sponsor. Academy trustees should consist of the Chairman of each Academy Local Governing Body and parent trustees shall be appointed by parent members of the Local Governing Bodies of each academy within the trust. Recruitment of new trustees is usually carried out on an "as required" basis. The "as required" basis could be either numerical or skills based depending on the trust requirement.

The names of the trustees who held office and served during the year are listed on page 1.

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TRUSTEES' REPORT (continued)
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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 and skill sets. All new trustees will have a welcome to the trust meeting which will include a formal induction session part of which will be to identify additional training needs and agreement reached as to how the identified training needs can be fulfilled. Other specific areas for discussion will include educational, legal and financial matters plus a discussion as to how the member/trustee role fits into the "bigger picture".

Organisational structure

The Members and Trustees are responsible for setting strategic direction and policy for the trust at a corporate level across the group of academies. The trustees approve a Scheme of Delegation which covers key functions and levels of responsibility for Trustees, Local Governors and sub-committee members in terms of Governance and levels of responsibility for senior staff in terms of Leadership and Management.

The Grace Academy Governing Board is the main Governing Body across all academies in the single trust. It has sub-committees in each academy where appropriate and these committees operate under a Scheme of Delegation which is reviewed and approved by the trustees.

The committees are:

- Local Governing Bodies (One at each academy. From 1 September 2014 the LGB will be only at Darlaston) - these have a focus on teaching and learning including all educational matters within the academy;
- Academy Improvement Board (Solihull and Coventry) - this is a mid-term group designed to bring specialist educational knowledge into the trust and provide challenge to the Principal to enable rapid improvement of educational outcomes at each location;
- Finance Committee - primary focus on finance, audit and risk;
- Personnel Committee - primary focus on staff matters including equality, training, development and welfare;
- Staffing Committee - used as and when required to manage matters regarding reorganisation or restructuring.

Local Governors and committee members are appointed in accordance with the articles of association to be responsible for the affairs of the company and the management of the academies under the terms of the Scheme of Delegation along with senior staff.

Leadership and management across the trust is delegated by trustees to the Chief Executive Officer. The Chief Executive Officer is supported by the Principals, Director of Corporate Compliance and the Finance and Operations Director.

The leadership structure within each academy consists of an Academy Leadership Team, which is led by the Principal and includes Vice Principals, Assistant Principals, Administration Manager and Finance Manager.

The Academy Leadership Team (ALT) is responsible for the day to day operation of the academy, in particular organising the teaching staff, facilities and students. Some spending control is also devolved to Heads of Faculty or Department.

The Chief Executive Officer is the Accounting Officer for the Trust.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Arrangements for setting pay and remuneration of key management personnel

The Trust Board makes decisions regarding the setting of pay and remuneration of the key management personnel of the trust. They consider directly the pay of the CEO on an annual basis. They delegate the appraisal and performance management of the Principals and Directors to the CEO who then makes recommendations to the Board regarding pay. It is the Board that makes the decisions regarding the pay and remuneration of these senior colleagues on an annual basis.

Trade union facility time

The trust employs no trade union officials and therefore had no time or costs spent on union activities during the year.

Related party relationships and other connected organisations

Grace Academy is one trust with four trading names, Grace Academy, Grace Academy Solihull, Grace Academy Coventry and Grace Academy Darlaston.

The trust has a relationship with Tove Learning Trust through the procurement of educational support services as and when required.

For information relating to related parties and to the value of transactions associated with them please see the notes to the financial statements.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of Grace Academy is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, operating and developing secondary schools offering a broad curriculum with a strong emphasis on business and enterprise and their principal applications.

The Trustees confirm they have referred to the guidance contained in the Charity's Commission's general guidance on public benefit when reviewing the trust's aims and objectives.

In accordance with the articles of association, the company has adopted a "Scheme of Governance" approved by the Secretary of State for Education. The Scheme of Governance specifies, amongst other things, the basis for admitting students each Academy location, the catchment areas from which the students are drawn and that the curricula should comply with the substance of the national curriculum with an emphasis on business and enterprise and their practical application.

The sole activity of the company is the operation of academies, currently based in the following locations: Solihull, Coventry and Darlaston, to provide education for students of different abilities between the ages of 11 and 19 with an emphasis on business and enterprise. The main objectives of the trust and its academies are summarised below:

- to raise the standard of educational achievements of all students;
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition, safeguarding and care;
- to improve the effectiveness of each Academy by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce; and
- to conduct our business in accordance with the highest standards of integrity, probity and openness.

Objectives, strategies and activities

Grace Academy's main strategy is encompassed in its vision statement which is 'our vision is to develop well educated, considerate and caring citizens with a strong sense of values who will succeed and contribute to modern society'. The activities provided which place 'students at the heart' include:

- wide ranging and innovative learning opportunities for all students and the community;
- improvement in the achievement and the aspiration of students;
- development opportunities for all staff;
- developing strong and meaningful links with business in line with the Academies' specialism;
- a programme of extended school and lifelong learning activities for students and the community; and
- a supportive and developmental ethos based on Christian values and standards to guide and develop the 'whole person' and address the every child matters agenda.

Public benefit

The Trust has complied with its duty to have due regard to the guidance on public benefit as per Appendices GL49 of Charities SORP and section 17 of the Charities Act 2011.

"Public benefit entities are reporting entities whose primary objective is to provide goods and services for the general public or social benefit where any equity has been provided with a view to supporting that primary objective rather than with a view to providing a financial return to shareholders."

This is continually monitored by the trust through its delegated committees.

Equal opportunities policy

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

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Disabled persons

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

Employee involvement

The organisation consults and shares information with employees via:

- employee representatives
- regular staff briefings
- use of internal and external "gateways" and websites for posting policies and procedures for all to see and follow;
- posting minutes of Governing Board on the Trust's external website.

STRATEGIC REPORT

Achievements and performance

Grace Academy Solihull

Grace Academy Solihull is a non-selective secondary school for pupils aged 11-18. It serves the community of Chelmsley Wood and the surrounding area and has its own admission policy. There is significant growth in student numbers as more and more parents are choosing to send their children to Grace Academy Solihull. It is now oversubscribed with more parents choosing it for their children than places available.

Overall, standards of achievement at the academy have continued to improve tremendously during 2017-18. There has been significant improvement in core subjects in both English and mathematics where standards are well above national expectations. In English, over 90% of pupils gained a grade 4 or better at GCSE, likely to place these results in the top 5% nationally. Results for students in the Sixth Form have maintained the already high standard from the previous last few years.

An Ofsted inspection took place in March 2017 and the academy was judged to be good. This has been achieved due to rigorous improvement plans that have been strategically led by the principal and the Academy Improvement Board that has been implemented on a temporary basis in place of the Local Governing Body. Significant progress has been made over the past four years with the quality of education now judged to be good overall and personal development and welfare to be outstanding.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Grace Academy Coventry

Grace Academy Coventry is a non-selective secondary school for pupils aged 11-18. It serves the community of North Coventry and has its own admission policy.

Overall, standards of achievement at the academy made a significant improvement on the previous four years. Students achieved particularly well in English and in mathematics where outcomes have continued to rise. Many students, particularly the more able, are making good progress but this still remains an aspect in need of improvement to ensure consistency in all subject areas. The trend at A level is upwards over the past four years.

The academy had an Ofsted inspection in February 2018 where it was judged to have serious weaknesses. This was disappointing but the academy is now making progress under the strong leadership from the new principal. Parents are choosing the academy for their children in increasing numbers as its popularity grows.

Grace Academy Darlaston

Grace Academy Darlaston is a non-selective secondary school for pupils aged 11-18. It serves the community of Darlaston and some surrounding areas and has its own admission policy. There is significant growth in student numbers as more and more parents are choosing to send their children to Grace Academy Darlaston. It is full and oversubscribed again in Year 7 in 2018-19,

The overall achievement of students in the academy improved significantly in 2018 following year-on-year improvements over the past few years. Standards in English and mathematics have improved with the new, more challenging, examination specifications. Rates of progress have improved throughout the academy. Results for students in the Sixth Form have improved significantly over the past four years and were extremely high in 2017, likely to be placing the school in the top 10% nationally.

The academy had an Ofsted inspection in May 2017 where it was judged to be good. This is a remarkable achievement and reflects the hard work that has taken place over the past few years. The inspection team recognised the tremendous improvement that has taken place in all aspects judging all areas to be good including teaching and learning, behaviour and leadership and management.

Key performance indicators

GCSE Performance Measures 2018:

	Grace Academy Coventry	Grace Academy Darlaston	Grace Academy Solihull
Attainment 8	39.4	42.0	48.2
Progress 8	-0.5	0.1	0.0
G4-9 English & Maths	51%	55%	73%
EBacc	3.18	3.41	3.81
EBacc Entered	10%	17%	0%
Pupil Destinations	92%	96%	89%

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

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 Accounting Policies.

Financial review

Most of the trust's income is obtained from the ESFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year ended 31 August 2018, total expenditure was £17,840,000 (2017: £18,802,000). Included in this expenditure was depreciation of £2,308,000 (2017: £2,699,000) and a charge of £655,000 (2017: £178,000) relating to adjustments for pension costs charged to current expenditure. If these two items were eliminated then recurrent expenditure would be £14,877,000 (2017: £15,925,000) compared to income of £14,081,000 (2017: £14,559,000), excluding capital grants of £17,000 (2017: £53,000).

At 31 August 2018 the net book value of fixed assets was £65,704,000 (2017: £67,966,000) and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively in providing education and the associated support services to the students of the trust.

Reserves policy

The trustees review the level of reserves annually. This review encompasses the nature of income and expenditure stream, the need to match income with commitments and the nature of reserves.

The policy of trustees is to build reserves to meet any statutory liabilities, to provide an adequate level of working capital for the academies and to build reserves which can be used for future educational purposes or objectives of the Trust.

The trust funding agreement with the Secretary of State enables the trust to "pool" monies received to impact educational outcomes as the trust "deem fit".

Total free reserves amount to £1,203,000 including £60,000 of unrestricted reserves and £1,143,000 of restricted reserves. The level of GAG reserves available to be used for future educational purposes is £995,000 (2017: £1,178,000). The level of free reserves is maintained at this level in order to meet the short term shortfall in funding as the trust enters into a lagged funding regime (see principal risks overleaf).

Investments policy

The trustees have a conservative outlook to investments and are content to look at investments with minimal risk. The investment strategy is to use a "sweep" facility to move cash in excess of £10,000 into a consolidated special interest bearing account on which an enhanced interest rate is paid. In addition to this a money market call account is used to invest sums not required in the short time to improve the level of return obtained on funds held. This strategy together with the lack of transitional bank charges on our current accounts leaves us to believe we are getting a satisfactory return on the excess cash we hold.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Principal risks and uncertainties

Due to our improvement in educational performance, numbers in Year 7, particularly at Darlaston, have increased.

Due to lagged funding the trust has had to decide how to deal with the first year funding shortfall whilst still maintaining educational outcomes.

The trust agreed to use its existing reserves to support the academies during this time and to review the individual academy Published Admission Numbers (PAN) on a regular basis.

A continuing risk is our pension liability, valued in line with FRS102, which continues to cause concern for Grace Academy, as it does with all other academies in the UK. The notes to the financial statements explain these commitments more clearly and shows that as at 31 August 2018 we had a shortfall of £5,784,000 (2017: £6,972,000) for the West Midlands Pension Fund, a decrease of £1,188,000 during the year.

Fundraising

The academies within the trust only held small fund raising events during the year such as non-uniform days and BBC Children in Need events. Each academy may work with a PTA that holds small scale events to promote the school, raise funds and make donations. These events are carried out within and in accordance with the ethical values of the Trust. The academy Trust does not work with professional fundraisers or companies to carry out fundraising on our behalf. During the year no complaints or issues have arisen as a result of the fundraising events.

Plans for future periods

The trust continues to focus on its key objective of improving student performance and raising aspirations in areas of relatively high deprivation. Operationally the focus is on improving the quality of teaching taking place in each of its academies with a strong held belief that improvements in the quality of teaching will improve both the pace of improvement and the academic outcomes for our students. Each academy has its own challenges in raising standards and to development of the "whole person" so as the students become caring, confident and compassionate citizens. The Trustees, Governors and Grace Academy Staff are committed to this objective.

Funds held as custodian

The trust acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. In some instances the trust can use a % of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in notes to the financial statements.

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GOVERNANCE STATEMENT

Scope of Responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, 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 Grace Academy and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Trustees' responsibilities statement.

The Board of Trustees has several committees that each focus on specific aspects associated with effective governance. These include Finance, Personnel, Staffing, Appeals, Local Governing Bodies and Academy Improvement Board.

The Board of Trustees has formally met 4 times during the year. The main challenge of the Governing Board was to ensure that all three academies in the group become more effective through the continued improvement in outcomes for students. Significant progress was made regarding improvement 2016-17 with two of the three academies being judged to be 'good' by Ofsted. The Board had robust plans in place to ensure that provision and outcomes at each academy continue to improve during the year. A further and on-going challenge, has been to increase the pupil numbers. Again, significant progress has been made with two of the academies now at capacity (and oversubscribed) with their Year 7 pupils and the third very close to achieving this.

Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
T Boxall	4	4
T Edmiston	4	4
R Edmiston	4	4
I Baker	4	4
G Spicer	4	4
S Chase	4	4
C Staley	4	4
A Edmiston	4	4

The board of trustees regularly reviews its membership to ensure a good level of experience exists at this level.

The Finance Committee met at least 6 times in the year. The main functions of this committee included, but was not limited to:

- Acting as the Audit Committee and overseeing the preparation, presentation and submission of the annual accounts;
- To appoint and oversee all arrangements pertaining to internal and external audit;
- To oversee the setting, monitoring and reporting of the group academy budget and financial procedures.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The academy trust carries out exit interviews for all staff leaving the organisation.

The academy trust has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equality policy
- Staff policy
- Health & safety policy

In accordance with the academy trust's Equality policy, the academy trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the academy trust's offices.

Disclosure of information to auditor

Insofar as the Trustees are aware:

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

Auditor

A resolution proposing that Crowe U.K. LLP be reappointed auditor of the Charitable Company will be put to the Annual General Meeting.

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on **8.12.18** and signed on its behalf by:



Lord Edmiston
Chairman

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GOVERNANCE STATEMENT (continued)

Attendance at meetings in the year was as follows:

Committee member	Meetings attended	Out of a possible
T Boxall	6	6
G Spicer	5	6
I Baker	5	6
R Turton	3	6
J Clarke*	5	6

* J Clarke is in attendance when the committee discusses audit matters.

Each Academy has a Local Governing Body (LGB) except where the board of trustees has put in place an Academy Improvement Board (AIB) on a temporary basis to help drive up standards and achievement more rapidly. The board of trustees suspended the LGB at Grace Academy Solihull as from 31 August 2014 and put an AIB to replace this as from 1 September 2014. The board of trustees suspended the LGB at Grace Academy Coventry as from 18 January 2015 and put an AIB to replace this as from 19 January 2015. Both of these governance structures remained in place during the past year.

These groups are accountable for ensuring that high quality provision leading to high outcomes exists by working closely with the Principal and senior leaders in their academy. Each local body meets on at least 6 occasions a year, although for the last academic year the LGB at Grace Academy Darlaston met five times during the year. The AIB at both Grace Academy Solihull and Grace Academy Coventry meet much more frequently than this. Improvements have been achieved with these structures in place and Ofsted commended the AIB at Solihull for its work in ensuring rapid and significant improvement.

Review of Value for Money

The educational focus of the trust continues to be ensuring that our students achieve the highest level of success that they are able to. Each academy has improved its overall educational performance since becoming part of the trust, however significant challenges remain as to the pace of improvement, the comparison with the national benchmarks for academies achievement and the individual performance of a cohort within a particular academic year. The Grace Academy trust remains fully committed to the sustainable improvement and transformation of educational standards and performance in the Academies to ensure that each academy delivers good and outstanding educational performance. In addition Grace is committed to developing the whole student to be a "considerate and inspiring individual who contributes to society" and many students have realised goals and ambitions in line with his aim over the past twelve months.

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GOVERNANCE STATEMENT (continued)

The Accounting Officer considers how the academy trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy trust has delivered improved value for money during the year by:

To ensure that the operation of the Trust demonstrates good value for money and efficient and effective use of resources, the Trust benchmarks financial performance of each academy against other academies.

Tender exercises are carried out to ensure that high value contracts are assessed against the marketplace on a regular basis to ensure that long term contracts remain competitive.

The trust believes that the academy should be at the heart of the community and to that end the trust endeavours to ensure that academy facilities are not only used for the benefit of the students but also the wider community. In addition the Trust considers all ways to generate additional income and reliable revenue streams.

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 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 Grace Academy for the year 1 September 2017 to 31 August 2018 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 ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2017 to 31 August 2018 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 finance committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

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GOVERNANCE STATEMENT (continued)

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint R Turton as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- Review of the Financial Controls Operated by each academy within the trust.
- Review of the processes around payroll data and HR Processes by each academy within the trust.
- Disaster and Information Recovery Process for each academy within the trust.

The conclusion reached was that "each academy continues to maintain strong financial controls which mitigate against the risk of material loss of assets and resources".

On a termly basis, the auditor reports to the Board of Trustees through the finance committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

These arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

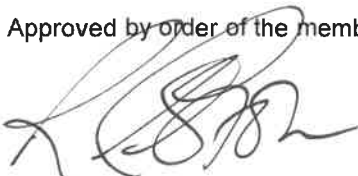
Review of Effectiveness

As Accounting Officer, the Chief Executive Officer 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 internal auditor;
- 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 internal auditor and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on **8.12.18** and signed on their behalf, by:



Lord Edmiston
Chairman



J Clarke
Accounting Officer

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Grace Academy I have considered my responsibility to notify the academy trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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 2017.

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 ESFA.



J Clarke
Accounting Officer

8.12.18

GRACE ACADEMY
(A company limited by guarantee)

**STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018**

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- 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;
- 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 ESFA/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 **8.12.18** and signed on its behalf by:



Lord Edmiston
Chairman

GRACE ACADEMY
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF GRACE ACADEMY

Opinion

We have audited the financial statements of Grace Academy for the year ended 31 August 2018 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

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 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

GRACE ACADEMY
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF GRACE ACADEMY

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities, 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

GRACE ACADEMY
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF GRACE ACADEMY

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Helen Drew (Senior statutory auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

Date:

11-12-18

GRACE ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO GRACE
ACADEMY AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 9 June 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Grace Academy during the year 1 September 2017 to 31 August 2018 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 Grace Academy and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Grace Academy and the ESFA 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 Grace Academy and the ESFA, for our work, for this report, or for the conclusion we have formed.

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

The Accounting Officer is responsible, under the requirements of Grace Academy's funding agreement with the Secretary of State for Education dated 4 August 2014, and the Academies Financial Handbook extant from 1 September 2017, 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 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by the ESFA. 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. The work undertaken to draw our conclusion includes a review of the design and implementation of the trust's internal controls and review processes on regularity, supported by detailed tests on samples of expenditure incurred by the trust and specific transactions identified from our review.

GRACE ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO GRACE
ACADEMY AND THE EDUCATION & SKILLS 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 year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Crowe UK LLP
Crowe U.K. LLP

Reporting Accountant

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Date: 11-12-18

GRACE ACADEMY
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

		Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	As restated Total funds 2017 £000
	Note					
Income from:						
Donations and capital grants	2	-	422	17	439	473
Funding for academy trust's educational operations	3	418	12,970	-	13,388	13,937
Other trading activities	4	260	-	-	260	187
Investments	5	11	-	-	11	15
Total income		689	13,392	17	14,098	14,612
Expenditure on:						
Raising funds		271	7	-	278	158
Charitable activities		418	14,836	2,308	17,562	18,644
Total expenditure	6	689	14,843	2,308	17,840	18,802
Net expenditure before transfers		-	(1,451)	(2,291)	(3,742)	(4,190)
Transfers between Funds	21	(17)	525	(508)	-	-
Net expenditure before other recognised gains and losses		(17)	(926)	(2,799)	(3,742)	(4,190)
Actuarial gains/(losses) on defined benefit pension schemes	24	-	1,843	-	1,843	(554)
Net movement in funds		(17)	917	(2,799)	(1,899)	(4,744)
Reconciliation of funds:						
Total funds brought forward		77	(5,558)	69,228	63,747	67,951
Prior year adjustment (Note 19)		-	-	-	-	540
Total funds carried forward		60	(4,641)	66,429	61,848	63,747

The notes on pages 27 to 53 form part of these financial statements.

GRACE ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER: 04967658

BALANCE SHEET
AS AT 31 AUGUST 2018

			2018	As restated
	Note	£000	£000	2017
				£000
Fixed assets				
Intangible assets	13	-	-	-
Tangible assets	14	65,704	67,966	67,966
		<u>65,704</u>	<u>67,966</u>	
Current assets				
Stocks	15	4	24	
Debtors	16	668	920	
Cash at bank and in hand		2,105	3,216	
		<u>2,777</u>	<u>4,160</u>	
Creditors: amounts falling due within one year	17	(828)	(1,407)	
Net current assets		<u>1,949</u>	<u>2,753</u>	
Total assets less current liabilities		<u>67,653</u>	<u>70,719</u>	
Creditors: amounts falling due after more than one year	18	(21)	-	
Net assets excluding pension scheme liabilities		<u>67,632</u>	<u>70,719</u>	
Defined benefit pension scheme liability	24	(5,784)	(6,972)	
Net assets including pension scheme liabilities		<u><u>61,848</u></u>	<u><u>63,747</u></u>	

GRACE ACADEMY
(A company limited by guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2018

			2018	As restated
	Note	£000	£000	2017
			£000	£000
Funds of the academy				
Restricted income funds:				
Restricted income funds	21	1,143		1,414
Restricted fixed asset funds	21	66,429		69,228
Restricted income funds excluding pension liability		67,572		70,642
Pension reserve		(5,784)		(6,972)
Total restricted income funds			61,788	63,670
Unrestricted income funds	21		60	77
Total funds			61,848	63,747

The financial statements on pages 23 to 53 were approved by the Trustees, and authorised for issue, on **8.12.18** and are signed on their behalf, by:



Lord Edmiston
Chairman

The notes on pages 27 to 53 form part of these financial statements.

GRACE ACADEMY
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	<i>As restated</i> 2017 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	26	(1,125)	185
Cash flows from investing activities:			
Interest received		11	15
Purchase of tangible fixed assets		(46)	(183)
Capital grants received from DfE Group		17	53
Net cash used in investing activities		(18)	(115)
Cash flows from financing activities:			
Salix loans received		32	-
Net cash provided by financing activities		32	-
Change in cash and cash equivalents in the year		(1,111)	70
Cash and cash equivalents brought forward		3,216	3,146
Cash and cash equivalents carried forward	27	2,105	3,216

The notes on pages 27 to 53 form part of these financial statements.

GRACE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgments and key sources of estimation uncertainty, is set out below.

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

1.2 Company status

The academy trust is a company limited by guarantee, incorporated and registered in England and Wales (registration no. 04967658). The registered office is The Pavilion, Manor Drive, Coleshill, West Midlands, B46 1DL. The members of the company are named on page 1. In the event of the academy trust being wound up, the liability in respect of the guarantee is limited to £10 per member of the academy trust.

1.3 Going concern

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 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 funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

GRACE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.5 Income

All income is recognised once the academy trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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 Statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where receipt is probable and it is measurable.

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

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

Donated services are included at fair value and recognised as income from charitable activities.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

GRACE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities are costs incurred on the academy trust's educational operations, including support costs and those costs relating to the governance of the academy trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.7 Intangible fixed assets and amortisation

Intangible assets costing £2,500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment

Amortisation is provided at the following rates:

Purchased computer software	-	25%
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GRACE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.8 Tangible fixed assets and depreciation

All assets costing more than £2,500 are capitalised and are carried at cost, net of depreciation and any provision for impairment. Subsequent costs are capitalised only when it is probable that such costs will generate further economic benefits. All other costs of repairs and maintenance are charged to the Statement of Financial Activities as incurred.

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. Where there are specific conditions attached to the funding requiring the continued use of the asset, 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 the relevant assets is charged directly to the restricted fixed asset fund in the Statement of financial activities. 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 cost of each asset on a straight line basis over its expected useful life as follows:

Long-term leasehold buildings	-	2.5%
Long-term leasehold land	-	0.8% (over the life of the lease)
Furniture and equipment	-	25%
Motor vehicles	-	33.3%
Equipment	-	25%
Computer equipment	-	25%
Leasehold improvements	-	20%

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

1.9 Operating leases

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

GRACE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. Accounting Policies (continued)

1.10 Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.11 Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 16. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 17 and 18. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

1.12 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.

GRACE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.13 Pension Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

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 unit credit method. As stated in note 24, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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 credit 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

1.14 Agency arrangements

- The trust acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the Statement of financial activities as the trust does not have control over the charitable application of the funds. In some instances the trust can use a % of the allocation towards its own administration costs and this is recognised in the Statement of financial activities. The funds received and paid and any balances held are disclosed in the notes to the financial statements.

GRACE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. Accounting Policies (continued)

1.15 Critical accounting estimates and areas of judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Income from donations and capital grants

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Related Party donations	-	411	411	401
Miscellaneous grants and donations	-	11	11	19
Capital grants	-	49	49	53
CIF - reclassification of previously recognised income	-	(32)	(32)	-
	-	439	439	473
<i>Total 2017</i>	-	473	473	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. Funding for academy's educational operations

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds 2017 £000</i>
DfE/ESFA grants				
General Annual Grant	-	11,565	11,565	12,339
Start Up grants	-	-	-	26
Pupil Premium grants	-	997	997	935
16-19 Bursary grants	-	2	2	2
Other DfE/ESFA grants	-	194	194	188
	-	12,758	12,758	13,490
Other government grants				
Local Authority grants	-	212	212	135
	-	212	212	135
Other funding				
Catering Income	292	-	292	277
Income from educational trips and activities	126	-	126	35
	418	-	418	312
	418	12,970	13,388	13,937
<i>Total 2017</i>	312	13,625	13,937	

4. Other trading activities

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	<i>Total funds 2017 £000</i>
Hire of facilities	117	-	117	106
Uniform sales	1	-	1	1
Miscellaneous sales income	142	-	142	80
	260	-	260	187
<i>Total 2017</i>	187	-	187	

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**NOTES TO THE FINANCIAL STATEMENTS
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5. Investment income

	Unrestricted funds 2018 £000	Total funds 2018 £000	<i>Total funds 2017 £000</i>
Bank interest	11	11	15
	<u>11</u>	<u>11</u>	<u>15</u>
<i>Total 2017</i>	<u>15</u>	<u>15</u>	

6. Expenditure

	Staff costs 2018 £000	Premises 2018 £000	Other costs 2018 £000	Total 2018 £000	<i>As restated Total 2017 £000</i>
Expenditure on raising funds - allocated support costs	-	271	7	278	158
Academies' educational operations:					
Direct costs	9,090	2,188	813	12,091	12,575
Support costs	2,588	1,277	1,606	5,471	6,069
	<u>11,678</u>	<u>3,736</u>	<u>2,426</u>	<u>17,840</u>	<u>18,802</u>
<i>Total 2017</i>	<u>11,550</u>	<u>4,740</u>	<u>2,512</u>	<u>18,802</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
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7. Support costs

	Total 2018 £000	<i>Total 2017 £000</i>
Catering	537	496
Technology costs	227	290
Heat and light	219	262
Repairs and maintenance of premises and equipment	758	1,233
Rent, rates and water charges	185	226
Other support costs	745	835
Governance costs	97	139
Wages and salaries	2,588	2,426
Depreciation	115	162
	<u>5,471</u>	<u>6,069</u>
<i>Total 2017</i>		<u>6,069</u>

During the year ended 31 August 2018, the academy trust incurred governance costs in relation to legal and statutory audit costs.

8. Net income/(expenditure)

This is stated after charging:

	2018 £000	<i>2017 £000</i>
Depreciation of tangible fixed assets:		
- owned by the charity	2,308	2,699
Amortisation of intangible fixed assets	-	66
Auditor's remuneration - audit of financial statements	16	16
Auditor's remuneration - other services	4	4
Operating leases	36	29

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**NOTES TO THE FINANCIAL STATEMENTS
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9. Staff costs

a. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	8,290	8,303
Social security costs	878	829
Operating costs of defined benefit pension schemes	2,082	1,916
	<u>11,250</u>	<u>11,048</u>
Agency staff costs	387	399
Other staff costs	17	52
Severance payments	24	51
	<u>11,678</u>	<u>11,550</u>

b. Non-statutory/non-contractual staff severance payments

Included in severance payments are non statutory/non contractual severance payments totalling £300 (2017: £nil). Individually the payment of £300 was made to one individual on 22 May 2018.

c. Staff numbers

The average number of persons employed by the academy trust during the year was as follows:

	2018 No.	2017 No.
Management	31	32
Teachers	126	126
Educational support and administration	122	120
	<u>279</u>	<u>278</u>

d. Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2018 No.	2017 No.
In the band £60,001 - £70,000	3	3
In the band £70,001 - £80,000	0	2
In the band £80,001 - £90,000	2	1
In the band £90,001 - £100,000	0	1
In the band £100,001 - £110,000	3	2

e. Key management personnel

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

9. Staff costs (continued)

The key management personnel of the trust comprise the senior management team, details of whom can be found with the reference and administrative pages. The total amount of employee benefits (including employer pension and national insurance contributions) received by key management personnel for their services to the academy trust was £644,553 (2017 - £583,905).

10. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy purchases insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business.

In prior years, this insurance was purchased through a supplier however this year the Trustees are covered under the RPA arrangement that the Trust has entered into with the ESFA. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year is included as part of the RPA costs.

11. Trustees' remuneration and expenses

Trustees of the academy did not receive any payment from the company (2017: £nil) in respect of their role as trustees. Reimbursement of travel and subsistence expenses amounting £301 were paid to 2 trustees (2017: 2 trustees £325).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

12. Related party transactions

Grace Academy entered into a number of related party transactions which are for the benefit of the trust. During 2014 the trust invited the ESFA to take a view on related party transactions and their view was "we are fully satisfied that the related party transactions disclosed in the trust's Financial Statements to 31 August 2013 do not represent an improper use of the ESFA's funds."

All procurement transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the academy trust's financial regulations and normal procurement procedures related to connected and related party transactions. The following related party transactions took place in the period of account.

Incoming Related Party Transactions:

- a) Included within incoming resources is £300,000 (2017 - £300,000), gifted by Grace Foundation, a charity set up by Lord Edmiston. Four of the trustees of Grace Academy are also trustees of Grace Foundation.
- b) Christian Vision made a gift to Grace Academy of the use of premises. As required by charity accounting, included within incoming resources and within resources expended is £63,170 (2017: £61,932). Christian Vision is a charity set up by Lord Edmiston. Three of the trustees of Grace Academy are also trustees of Christian Vision.
- c) Grace Foundation donated management services to Grace Academy. As required by charity accounting, included within incoming resources and within resources expended is £23,060 (2017: £22,606). Grace Foundation is a charity set up by Lord Edmiston. Four of the trustees of Grace Academy are also trustees of Grace Foundation.
- d) Included within donations is £16,369 (2017: £nil) gifted to Grace Academy Darlaston by I.M. Group Limited. Lord Edmiston owns 100% of the issued share capital of I.M. Group Limited.
- e) During the previous year I.M. Parts & Services Limited donated an awards trip of a weekend in London to students of Grace Academy. As required by charity accounting, included within incoming resources and within resources expended is £nil (2017: £16,367). I.M. Parts & Services Limited is a 100% indirect subsidiary of I.M. Group Limited. The ultimate controlling party is Lord Edmiston, who owns 100% of the issued share capital of I.M. Group Limited.
- f) Included in Donations is £nil (2017: £308) in respect of contributions made by I.M. Parts & Services Limited towards the cost of trophies for students at Grace Academy. In addition I.M. Parts & Services Limited donated in kind £nil (2017: £14) of trophies for students. I.M. Parts & Services Limited is a 100% indirect subsidiary of I.M. Group Limited. The ultimate controlling party is Lord Edmiston, who owns 100% of the issued share capital of I.M. Group Limited.

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Related party transactions (continued)

Outgoing Related Party Transactions

- g) Included within administration expenses is £8,196 (2017: £4,681) in respect of the reimbursement at cost of taxable benefits for senior employees and office expenses incurred on behalf of Grace Academy payable to International Motors Limited. International Motors Limited is a 100% indirect subsidiary of I.M. Group Limited. The ultimate controlling party is Lord Edmiston, who owns 100% of the issued share capital of I.M. Group Limited. The balance due to this company at 31 August 2018, included within creditors, was £121 (2017:£30).
- h) Included within administration expenses is £1,451 (2017: £1,570) in respect of the reimbursement at cost of taxable benefits for senior employees and office expenses incurred on behalf of Grace Academy payable to I.M. Group Limited. Lord Edmiston owns 100% of the issued share capital of I.M. Group Limited. The balance due to this company at 31 August 2018, included within creditors, was £nil (2017:£nil).
- i) Included within administration expenses is £2,212 (2017: £696) in respect of the reimbursement at cost of taxable benefits for senior employees and office expenses incurred on behalf of Grace Academy payable to Subaru (UK) Limited. Subaru (UK) Limited is a 100% indirect subsidiary of I.M. Group Limited. The ultimate controlling party is Lord Edmiston, who owns 100% of the issued share capital of I.M. Group Limited. The balance due to this company at 31 August 2018, included within creditors, was £570 (2017:£nil).
- j) Included within governance costs is £15,367 (2017: £12,231) in respect of payments to Ash Education Consultants Limited for providing educational management services to Grace Academy Coventry. Ash Education Consultants Limited is 50% owned by Christine Staley a Trustee of Grace Academy until 25 June 2018. Christine Staley does not receive any remuneration for her role as a Trustee. The balance due to this company at 31 August 2018, included within creditors, was £nil (2017: £nil).

13. Intangible fixed assets

	Computer software £000
Cost	
At 1 September 2017 and 31 August 2018	345
Amortisation	
At 1 September 2017 and 31 August 2018	345
Carrying amount	
At 31 August 2018	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

14. Tangible fixed assets

	Long Leasehold property £000	Long-term leasehold improv'mts £000	Motor Vehicles £000	Computer equipment £000	Furniture and equipment £000	Total £000
Cost						
At 1 September 2017	83,135	375	126	2,858	3,775	90,269
Prior year adjustment	570	-	-	-	-	570
At 1 September 2017 (as restated)	83,705	375	126	2,858	3,775	90,839
Additions	-	5	-	10	31	46
At 31 August 2018	83,705	380	126	2,868	3,806	90,885
Depreciation						
At 1 September 2017	16,132	238	93	2,730	3,645	22,838
Prior year adjustment	35	-	-	-	-	35
At 1 September 2017 (as restated)	16,167	238	93	2,730	3,645	22,873
Charge for the year	2,082	37	21	86	82	2,308
At 31 August 2018	18,249	275	114	2,816	3,727	25,181
Net book value						
At 31 August 2018	65,456	105	12	52	79	65,704
At 31 August 2017 (as restated)	67,538	137	33	128	130	67,966

The trust leases the land it occupies from Solihull Metropolitan Borough Council and Coventry City Council on long leases of 125 years. The trust also occupies land that is owned by Walsall Metropolitan Borough Council on a temporary lease basis until the formal signing of the 125 year lease is agreed. The land associated with this lease has been accounted for on the same basis as the other long term leases in order to properly reflect the substance of the arrangement.

15. Stocks

	2018 £000	2017 £000
Goods for sale	4	24

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**NOTES TO THE FINANCIAL STATEMENTS
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16. Debtors

	2018 £000	2017 £000
Trade debtors	16	35
Prepayments	344	379
HMRC debtor	116	267
Grants Receivable	192	239
	<u>668</u>	<u>920</u>

17. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Salix loan (see note 18)	11	-
Trade creditors	338	629
Pension costs	-	165
Other taxation and social security	216	208
Other creditors	13	21
Accruals and deferred income	250	384
	<u>828</u>	<u>1,407</u>

	2018 £000	2017 £000
Deferred income		
Deferred income at 1 September 2017	166	46
Resources deferred during the year	104	166
Amounts released from previous years	(166)	(46)
Deferred income at 31 August 2018	<u>104</u>	<u>166</u>

At 31 August 2018 Grace Academy was holding in deferred income funds received in advance for government grants, lettings, income received for trips taking place in the next academic year and income for unfulfilled uniform sales.

18. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Salix loan	<u>21</u>	<u>-</u>

The Salix loan is considered to be a concessionary loan which is repayable by instalments over the next three years and is interest free.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

19. Prior year adjustment

A prior year adjustment has been made to account for long leasehold land that was not included in these financial statements following the historic transfers of the constituent academies into the trust. This has had the effect of increasing the fixed asset restricted fund by £535,000 as at 1 September 2017, and by £540,000 as at 1 September 2016.

20. Central services

The academy trust has provided the following central services to its academies during the year:

- Payroll and HR services;
- Educational support services ;
- Public relations services;
- Communications services;
- Financial services;
- Audit services;
- Insurance;
- Marketing services;
- Legal services;
- Purchasing and procurement services;
- Community services;
- Governance.

The academy trust charges for these services on the following basis:

The trust charges for these services based on 4% of the general annual grant (2017: 5% of total grant income).

The actual amounts charged during the year were as follows:

	2018	2017
	£000	£000
Grace Academy Coventry	153	271
Grace Academy Darlaston	166	199
Grace Academy Solihull	150	193
	<hr/>	<hr/>
	469	663
	<hr/>	<hr/>
Total		

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

21. Statement of funds

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
General Funds - all funds	77	689	(689)	(17)	-	60
Restricted funds						
Other Restricted Funds	236	1,827	(1,915)	-	-	148
General Annual Grant (GAG)	1,178	11,565	(12,273)	525	-	995
Pension reserve	(6,972)	-	(655)	-	1,843	(5,784)
	(5,558)	13,392	(14,843)	525	1,843	(4,641)
Restricted fixed asset funds						
Restricted Fixed Asset Funds	67,966	17	(2,308)	29	-	65,704
Restricted Fixed Asset Fund 1	1,262	-	-	(537)	-	725
	69,228	17	(2,308)	(508)	-	66,429
Total restricted funds	63,670	13,409	(17,151)	17	1,843	61,788
Total of funds	63,747	14,098	(17,840)	-	1,843	61,848

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

General Annual Grant (GAG) must be used for the normal running costs of an Academy Trust. 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 2018.

Other restricted funds were funded by government grants or donations from sponsors for specific purposes.

Restricted fixed asset funds were funded by government grants of sponsor donations and includes unspent capital grants.

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**NOTES TO THE FINANCIAL STATEMENTS
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21. Statement of funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £000	<i>Total 2017 £000</i>
Grace Academy Coventry	213	462
Grace Academy Darlaston	33	281
Grace Academy Solihull	34	(122)
Grace Academy Foundation	923	870
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	1,203	1,491
Restricted fixed asset fund	66,429	69,228
Pension reserve	(5,784)	(6,972)
	<hr/>	<hr/>
Total	61,848	63,747
	<hr/>	<hr/>

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depr'n £000	Total 2018 £000	<i>Total 2017 £000</i>
Grace Academy Coventry	2,380	776	74	868	4,098	4,529
Grace Academy Darlaston	3,389	674	219	966	5,248	4,775
Grace Academy Solihull	3,218	740	206	1,351	5,515	5,664
Grace Academy Foundation	103	398	-	170	671	1,069
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	9,090	2,588	499	3,355	15,532	16,037
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS
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21. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 September 2016 £000</i>	<i>Income £000</i>	<i>Expenditure £000</i>	<i>Transfers in/out £000</i>	<i>Gains/ (Losses) £000</i>	<i>Balance at 31 August 2017 £000</i>
General Funds - all funds	30	514	(467)	-	-	77
Restricted funds						
Other Restricted funds	261	1,706	(1,731)	-	-	236
General Annual Grant (GAG)	1,078	12,339	(13,243)	1,004	-	1,178
Pension reserve	(5,822)	-	(596)	-	(554)	(6,972)
	<u>(4,483)</u>	<u>14,045</u>	<u>(15,570)</u>	<u>1,004</u>	<u>(554)</u>	<u>(5,558)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Funds - all funds	72,944	53	(2,765)	(1,004)	-	69,228

22. Analysis of net assets between funds

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	65,704	65,704
Current assets	60	1,992	725	2,777
Creditors due within one year	-	(828)	-	(828)
Creditors due in more than one year	-	(21)	-	(21)
Provisions for liabilities and charges	-	(5,784)	-	(5,784)
	<u>60</u>	<u>(4,641)</u>	<u>66,429</u>	<u>61,848</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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22. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Restricted fixed asset funds</i>	<i>Total funds</i>
	<i>2017</i>	<i>2017</i>	<i>2017</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Tangible fixed assets	-	-	67,968	67,968
Current assets	77	2,823	1,260	4,160
Creditors due within one year	-	(1,409)	-	(1,409)
Provisions for liabilities and charges	-	(6,972)	-	(6,972)
	<u>77</u>	<u>(5,558)</u>	<u>69,228</u>	<u>63,747</u>

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NOTES TO THE FINANCIAL STATEMENTS
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23. Capital commitments

At 31 August 2018 the Academy Trust had capital commitments as follows:

	2018	<i>2017</i>
	£000	<i>£000</i>
Contracted for but not provided in these financial statements	4	<i>539</i>

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NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments

The academy trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Metropolitan Authorities Pension Fund (WMMAPF). Both are Multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £nil were payable to the schemes at 31 August 2018 (2017 - 165,000) 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' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. 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. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £880,000 (2017 - £848,000).

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**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £767,000 (2017 - £579,000), of which employer's contributions totalled £588,000 (2017 - £418,000) and employees' contributions totalled £179,000 (2017 - £161,000). The agreed contribution rates for future years are 17.6% for employers and between 5.5 and 12.5% for employees.

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

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.65 %	2.60 %
Rate of increase in salaries	3.80 %	4.20 %
Rate of increase for pensions in payment / inflation	2.30 %	2.70 %
Inflation assumption (CPI)	2.30 %	2.70 %

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

	2018	2017
Retiring today		
Males	21.9	21.8
Females	24.4	24.3
Retiring in 20 years		
Males	24.1	24.0
Females	26.7	26.6

	At 31 August 2018 £000	At 31 August 2017 £000
Sensitivity analysis -impact on scheme liabilities		
Discount rate +0.1%	18,429	19,156
Discount rate -0.1%	19,292	20,053
Mortality assumption - 1 year increase	19,519	20,280
Mortality assumption - 1 year decrease	18,214	18,941
CPI rate +0.1%	19,263	20,008
CPI rate -0.1%	18,456	19,200

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

24. Pension commitments (continued)

The academy trust's share of the assets in the scheme was:

	Fair value at 31 August 2018 £000	<i>Fair value at 31 August 2017 £000</i>
Equities/absolute return	8,271	7,989
Government bonds	940	924
Other bonds	484	486
Government bonds	-	-
Property/infrastructure	1,061	923
Cash/liquidity	490	628
Other	1,825	1,677
	<u>13,071</u>	<u>12,627</u>
Total market value of assets	<u>13,071</u>	<u>12,627</u>

The actual return on scheme assets was £150,000 (2017 - £1,837,000).

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

	2018 £000	<i>2017 £000</i>
Current service cost	1,060	886
Interest on obligations	174	123
Administrative expenses	5	5
	<u>1,239</u>	<u>1,014</u>
Total	<u>1,239</u>	<u>1,014</u>

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

	2018 £000	<i>2017 £000</i>
Opening defined benefit obligation	19,599	16,387
Interest cost	506	359
Actuarial (gains)/losses	(2,025)	2,093
Contributions by Scheme participants	179	161
Estimated benefits paid net of transfers	(468)	(287)
Current service cost	1,060	886
Past service costs, including curtailments	4	-
	<u>18,855</u>	<u>19,599</u>
Closing defined benefit obligation	<u>18,855</u>	<u>19,599</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

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

	2018	2017
	£000	£000
Opening fair value of scheme assets	12,627	10,565
Estimated benefits paid net of transfers	(468)	(287)
Interest income	332	236
Actuarial gains/(losses)	(182)	1,539
Employer contributions	588	418
Administration costs	(5)	(5)
Contributions by scheme participants	179	161
	<hr/>	<hr/>
Closing fair value of scheme assets	13,071	12,627
	<hr/> <hr/>	<hr/> <hr/>

25. Operating lease commitments

At 31 August 2018 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2018	2017
	£000	£000
Amounts payable:		
Within 1 year	36	26
Between 1 and 5 years	43	42
	<hr/>	<hr/>
Total	79	68
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GRACE ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

26. Reconciliation of net movement in funds to net cash flow from operating activities

	2018	<i>As restated</i> 2017
	£000	£000
Net expenditure for the year (as per Statement of Financial Activities)	(3,742)	(4,190)
Adjustment for:		
Depreciation charges	2,308	2,699
Movement in fixed asset reclassifications	-	85
Amortisation	-	66
Decrease in stocks	20	20
Decrease in debtors	252	966
(Decrease)/increase in creditors	(590)	11
Capital grants and other capital income receivable	(17)	(53)
Interest receivable	(11)	(15)
Defined benefit pension scheme cost less contributions payable	476	473
Defined benefit pension scheme finance cost	179	123
Net cash (used in)/provided by operating activities	(1,125)	185

27. Analysis of cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank and in hand	2,105	3,216
Total	2,105	3,216

28. 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.

29. Agency Arrangements

The trust distributes bursary funds to students as an agent for the ESFA. In the accounting year ending 31 August 2018 the charitable company received £17,000 (2017 - £41,000) and disbursed £28,000 (2017 - £25,000) from the fund. An amount of £5,000 (2017 - £16,000) is included in other creditors relating to undistributed funds.

