

Registered Charity Number: 1120616  
Registered Company Number: 06292085

THE DOWNS, MALVERN COLLEGE PREP SCHOOL  
(A company limited by guarantee)

Annual report and financial statements  
for the year ended 31 July 2021

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Annual report and financial statements for the year ended 31 July 2021

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# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Reference and Administrative Information For the year ended 31 July 2021

### Status and administration

The School is a charitable company limited by guarantee and was incorporated on 25 June 2007, registered company number 06292085. The charity is registered in England and Wales; charity number 1120616. The School was formed by the merger of The Downs School (Colwall) and Malvern College Preparatory School which took effect from 31 August 2008. The governing document is the Articles of Association dated 25 June 2007. The School's trading and marketing name is The Downs Malvern.

### Charitable objects

The primary object of the School is "to advance the education of boys and girls by the provision of a day and/or boarding Preparatory School in or near Malvern and by ancillary or incidental educational activities and other associated activities for the benefit of the community".

### Governors

Chairman: C A P Leonard  
Dr J Dargan (c) (appointed 16 June 2021)  
Mrs C Elgar (c)  
Dr S Guy (b)  
Mrs P Francis (a)  
S Hill Esq. (b)  
S Holroyd Esq. (b)  
S King Esq. (a)  
C Le Bas Esq. (a)  
A K Metcalfe (b) (appointed 16 June 2021)  
D Morris Esq.

### Nominated by

Malvern College  
The Governors  
The Governors  
The Governors  
The Governors  
Malvern College  
The Governors  
The Governors  
The Governors  
The Governors  
The Governors

- (a) member of the Commercial Committee
- (b) member of the Education Committee
- (c) member of the Welfare and Health and Safety Committee

### Constitution of the Governors

Governors are appointed by the existing Governors and the maximum number of Governors is 12.

### Officers

Headmaster                    A S Cook Esq.  
Bursar                        G Ralphs Esq. (resigned 31 December 2020)  
Chief Operating Officer   R Breare Esq. (appointed 28 March 2021)  
Company Secretary        Mrs K E Collyer

### Key management personnel

Headmaster:                A S Cook Esq.  
Senior Deputy Head:      Mrs A Sigley

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Reference and Administrative Information (continued) For the year ended 31 July 2021

### Registered office and principal address

The Downs, Malvern College Prep School  
Brockhill Road  
Colwall  
Malvern  
Worcestershire  
WR13 6EY

### Professional service providers

#### Bankers:

Lloyds Banking Group PLC  
48 Belle Vue Terrace  
Malvern  
Worcestershire  
WR14 4QG

#### Independent Auditor:

Crowe U.K. LLP  
4<sup>th</sup> Floor, St James House  
St James Square  
Cheltenham  
Gloucestershire  
GL50 2PR

#### Insurance Brokers:

Marsh Brokers Limited  
Rockwood House  
9-17 Perrymount Road  
Haywards Heath  
West Sussex  
RH16 3DU

#### Lawyers:

Veale Wasbrough Vizards  
Narrow Quay House  
Narrow Quay  
Bristol  
BS1 4QA

# **THE DOWNS, MALVERN COLLEGE PREP SCHOOL**

## **Report of the Governors for the year ended 31 July 2021**

The Governors present their annual report and the audited financial statements for the year ended 31 July 2021.

Reference and Administrative Information is set out on pages 1 to 2 which forms part of this report. This section also provides details of its constitution and its charitable objects.

### **Chairman's statement**

In 2020 we reported an unprecedented year, with the COVID-19 pandemic resulting in the closure of the School campus for the Summer Term. It was with considerable excitement that we welcomed our children back to the Campus in September 2020. It was of course with considerable disappointment that the Campus had once more to close in January 2021, albeit for just 8 weeks this time.

Our strong financial position meant that again we were able to reduce our fees in recognition of the change in our delivery of teaching. We were also able to assist those parents who have been adversely affected economically by the pandemic. Pupils have, nevertheless, again achieved excellent results both academically and in the very wide range of curricular and extra-curricular opportunities provided. This is a tribute both to our excellent staff and our pupils in such difficult circumstances.

The School has continued to deliver a high quality education to children of all ages, ensuring both the academic and pastoral needs of our pupils were met, be it online or in person. With the success of the vaccine rollout programme, we therefore look forward to the 2021-22 academic year being uninterrupted and seeing a return to the normality of sports matches, drama and music events with parents and guardians in attendance.

The Board of Governors continues to closely monitor economic, social and educational trends, affecting the School's overall performance to ensure it continues to thrive. The school is in a good position to take advantage of the changing dynamics in the sector as well as benefitting from being part of the growing Malvern family of schools which now educates over 4,400 pupils in China & Hong Kong, Egypt and Switzerland as well as Worcestershire and Herefordshire. This places The Downs Malvern in a robust situation from which to further develop.

In September 2021, I announced the retirement of Sam Cook our Headmaster in August 2022 after 13 years during which he has overseen the transformation of The Downs Malvern into the successful, happy and thriving community that it is today. He has also helped to develop the close links with Malvern College which have been of great benefit to both schools. A dedicated and passionate leader, much loved by all, Mr Cook will be greatly missed by pupils, parents and staff alike. The process to identify Mr Cook's successor has commenced.

### **Strategic Report**

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

##### **Recruitment and training of Governors**

The School is registered as a Charitable Company under the direction of a Board of Governors. The Headmaster is a member of the Independent Association of Preparatory Schools (IAPS), the leading professional association for Heads of independent preparatory schools.

The Directors of the company are also charity Trustees for the purposes of charity law and throughout the report are collectively referred to as the Governors. They are listed on page 1. New Governors are selected and appointed by the existing Governors.

All Governors are members of at least one of the sub-committees or have responsibilities for specific aspects of the School to give them an insight into the workings of the School. On induction, the Governors complete online "Safeguarding and Safe Recruitment" training. They are made aware of the School's safeguarding policies and receive all Independent Schools' Inspectorate and D of E updates that are sent to the School. Governors receive safe-guarding training every 3 years.

# **THE DOWNS, MALVERN COLLEGE PREP SCHOOL**

## **Report of the Governors for the year ended 31 July 2021 (continued)**

### **Organisational management**

The Governors hold one ordinary meeting of the Governors in each School term and sub-committees also meet termly. There are three sub-committees; a) Commercial, b) Education and c) Welfare and H&S. The School no longer has to hold an annual general meeting although general meetings can still be called annually if needed.

The day-to-day running of the School is delegated to the Headmaster and Senior Deputy Head as the key management personnel. The remuneration of the key management personnel is discussed in detail each year by the Commercial Sub-Committee, with awareness of industry standards, and approved by the full Board of Governors.

### **Governors' insurance**

The School purchased, and maintained throughout the financial year, insurance to protect the Governors from personal liability.

### **Related parties**

#### **Malvern College and The Downs School (Colwall)**

In June 2007, as part of the merger between Malvern College Prep School and The Downs School (Colwall), Malvern College agreed to contribute £5.5m to the new entity, The Downs, Malvern College Prep School. This contribution was completed in the year ended 31 July 2009.

Also as part of this merger, The Downs School (Colwall) agreed to donate the land and buildings of the Downs School site, valued at £5.5m, to The Downs, Malvern College Prep School. This donation was made in the year ended 31 July 2008.

### **Principal risks and uncertainties**

#### **Risk management**

A register of significant risks is reviewed by the Governors at least annually. The register considers the principal areas of the School's operations and considers the major risks faced in each of the risk areas along with controls designed to mitigate those risks. These controls are considered to be adequate and are frequently reviewed. The risk register is maintained by the Headmaster, with oversight by the Governors, and reviewed termly by the Commercial Committee. Responsibility for the management of the risks faced by the School is delegated to the Headmaster and the Senior Management Team (SMT) by the Governors. At each termly Commercial Committee meeting the Governors review a summary of the primary risks thought most likely to have the greatest effect on the School and the action taken to mitigate those risks to an acceptable level. The Risk Register and the Safeguarding Policies are presented for discussion and approval at the November Governors' Meeting.

In light of the current climate in relation to the COVID-19 pandemic the Governors believe that the School's financial resources and contingency planning are sufficient to ensure the ability of the School to continue as a going concern for the foreseeable future, being at least twelve months from the date of approval of these financial statements.

#### **Key risks**

The key risk identified and being managed by the School is the impact of the COVID-19 pandemic. The impact of COVID-19 has been far reaching but the School has adapted well and has developed extensive contingency plans should a further lockdown be required.

Another key risk identified and being managed by the School is the possible failure to meet budgeted pupil numbers and the associated impact upon financial performance. This risk is managed by a regular review of pupil recruitment resulting in a coordinated approach from all involved to ensure pupil retention and recruitment are prioritised.

# **THE DOWNS, MALVERN COLLEGE PREP SCHOOL**

## **Report of the Governors for the year ended 31 July 2021 (continued)**

### **Key risks (continued)**

The risk associated with price and costs are actively managed. The School reviews its fees on an annual basis. These fees are factored into the School's plans and income forecasts.

Salary levels are also set by reference to the School's plans and income forecasts as well as to prevailing market rates, specifically in the education sector for the academic staff. These are communicated to staff each year during the annual salary review process.

September 2019 saw an increase in the Employer Contribution rate to the Teachers' Pension Scheme from 16.48% to 23.68%. This 43.69% increase is a substantial additional burden to the School's cost base. Management and Governors are actively considering options. If further increases in contribution rates follow in the coming years, remaining in the Scheme may be unaffordable. Other costs are controlled by contract negotiations and competitive tendering with suppliers.

The Headmaster and all the staff at the School place much emphasis on every aspect of each child's experience at the School. There is an obvious focus on the risks associated with the COVID-19 pandemic, safeguarding and safe recruiting protocols as well as the provision of the highest quality of teaching and learning in order to maintain the School's strong academic reputation.

### **Aims, strategies and objectives**

The School aims to provide a first-class education in a secure, caring and disciplined environment, where every pupil can fulfil his or her unique potential – academically, creatively, physically, socially and spiritually.

In order to meet these aims the School is committed to:

- Providing a broad and balanced curriculum that values academic excellence, but also attaches great importance to effort, enthusiasm and enjoyment in all areas of learning and activity;
- Promoting the welfare of every pupil by developing their confidence and self-esteem, giving them responsibility and opportunities to exercise leadership, helping them to develop mature attitudes and preparing them for their senior schools and adult lives;
- Building a strong sense of community in which all feel valued and respected, where each has a contribution to make and where there is a growing awareness of our common responsibility for the wider world in which we live and especially our environment.

Whilst The Downs Malvern is a School where Christian values, ideals and practice are considered to be important, in implementing these aims and objectives, it also values diversity and warmly welcomes pupils of other faiths.

### **Review of the year**

Income during the year was lower than expected due to a reduction in the pupil numbers at the start of the year, following the COVID-19 closure of the School in Summer 2020. Numbers grew steadily and despite the further closure of the school for 8 weeks during the Spring Term, the year- end pupil numbers were broadly in line with our forecast for the year. Income for the 2021-2 year is expected to decline further due to a reduction in pupil numbers arising from an unusually large Year 8 cohort leaving the school in Summer 2021. There has been an encouraging start to the recruitment year, with the Headmaster reporting well-attended open days in early October.

In order to enhance our pupil recruitment the Governors have approved a detailed review of our market and our marketing activity with a view to refocusing and updating our messaging so it is attractive to our target market. This work is being supported by the Marketing Team of Malvern College.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Report of the Governors for the year ended 31 July 2021 (continued)

### Review of the year (continued)

#### Academic

It was another successful year for our Year 8 pupils who sat scholarship assessments and examinations at prospective senior schools and received the following awards:

<b>Subject</b>	<b>2020-21 Awards</b>	<b>2019-20 Awards</b>
Academic	3 scholarships, 3 exhibitions	4 scholarships, 2 exhibitions
All Rounder	1 award	
Art	1 exhibition	3 scholarships
Drama	1 scholarship	1 scholarship, 2 exhibitions
Design Technology	1 scholarship	3 scholarships, 1 exhibition
Music	2 scholarships, 2 exhibitions	1 scholarship, 2 exhibitions
Sport	9 scholarships, 1 exhibition	5 scholarships, 3 exhibitions

A full set of academic, sporting and extra-curricular achievements are reported to the Governors in termly reports. These achievements are many and the number of successes continues to increase year on year. Sporting links between the School and local primary schools have been further strengthened through the hosting of various sports tournaments aimed at these schools.

#### Pastoral

The extensive pastoral network throughout the School is founded on the "Circle of Care" principle. The School has a range of pastoral policies that are regularly reviewed by the Governors' Pastoral sub-committee. Following the most recent inspection the ISI reported that pastoral care at the School was excellent.

#### Boarding

The Boarding House continues to be extremely busy and attractive to a growing number of "day boarders". The children in the House were from a range of countries with no particular nationality dominating. The age range was from 7 to 13, with the majority being from the senior end of the School.

#### Charities Act 2011 and Public Benefit

The Governors have considered the Charities Act 2011 on public benefit and have had due regard for Charity Commission Guidance on the Subject.

The School is committed to funding the education at the School of members of the local community who would not normally be in a position to afford the School's fees but who demonstrate that they would benefit from the educational environment the School offers. The School has limited reserves and the bursary scheme is funded through revenues generated by the School and not through investment income. During the 2020-21 year, bursaries were awarded to 24 pupils (2020: 24 pupils) at an average of £3,319 per pupil (2020: £3,764). The total value of this funding was £79,662 (2020: £90,346).

The School also raised funds for a wide selection of charities including local, national and international organisations. A number of local groups also made use of the School's facilities at either a reduced cost or free of charge. The School continues to support the nearest local primary school by preparing and cooking more than 100 meals each day in the School's kitchens before delivering them to the local primary school. No charge is made for the provision of this service.



# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Report of the Governors for the year ended 31 July 2021 (continued)

### Financial review

The principal funding source for the School is fee income. In the year gross fee income was £3,311,894 (2020: £3,711,482). The result for the year is a deficit of £405,008 (2020: deficit £389,550), which includes a depreciation charge of £275,139 (2020: £280,165). The underlying operational result (before taking into account this item) was a deficit of £129,869 (2020: deficit of £109,385). This outcome is in line with the Governors' expectations taking account of the impact of COVID-19 and the fee reductions made for the spring term to recognize the switch from classroom to remote on-line teaching. That the School was able to offer and make these reductions is testament to the prudent financial management that is a cornerstone of the governance of the School.

A donation of £166,751 (2020: £101,446) was made to the School by Malvern College during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

Capital investment of £102,617 (2020: £166,313) was made. This largely consisted of smaller projects to improve the School's boarding facilities, expand the IT provision, replace windows and invest in additional grounds and catering equipment.

### Reserves

Total reserves are £6,320,820 (2020: £6,725,828). Of the total unrestricted funds of £6,314,229 (2020: £6,719,237), £5,469,438 (2020: £5,641,960) comprises fixed assets, leaving £844,791 (2020: £1,077,277) as free reserves. Restricted funds are £6,591 (2020: £6,591).

Considering the significant investment in the School at the time of the merger, the level of free reserves is considered sufficient for the immediate needs of the School. The policy is to build up free reserves to meet future capital expenditure requirements as they are identified to maintain the standard of education currently provided. The current level of free reserves is sufficient to meet the future plans for the School.

### Plans for future periods

The Headmaster and SMT reviews the school's strategic framework regularly and report on such to the Governors for discussion and approval. The strategic plan has been developed and is currently under review.

The School plans to progress capital and maintenance spending plans in order to:

- Continue to develop the School and its facilities;
- Enable the refurbishment of the older sections of the School to a very high standard; and
- Ensure the facilities support the pupil number projections and the academic/pastoral objectives.

Following the announcement of the retirement of the Headmaster, the Governors are working with external agents, to recruit a first-class candidate to take the School forward in 2022-3. At the time of writing the recruitment process is well underway and the Governors anticipate announcing the appointment of the successful candidate in December 2021.

### Policies

#### Investment Policy

Due to the nature of the School's activities and the impact of COVID-19, surplus funds are not held for long periods of time and are not therefore available for long-term investment. Accordingly, the School's policy is to invest such funds in deposit accounts offering a market rate of interest.

#### Remuneration Policy

The remuneration of key management personnel is set by the Governors, with the objective of providing appropriate incentives to encourage retention of existing staff and also to attract new staff when required.

The appropriateness of the policy is reviewed regularly by the Governors to ensure that the School remains sensitive to the broader issues of pay and employment conditions in the sector.

# **THE DOWNS, MALVERN COLLEGE PREP SCHOOL**

## **Report of the Governors for the year ended 31 July 2021 (continued)**

### **Statement of Governors' responsibilities**

The Governors (who are also directors of The Downs, Malvern College Prep School for the purposes of company law) are responsible for preparing the Report of the Governors and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

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

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

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, 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 and the provisions of the charity's constitution. 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.

### **Statement on the Charity Governance Code**

As the School is a not for profit organisation which aims to follow charity sector best practice, the Governors have familiarised themselves with the updated version of the Charity Governance Code (the "Code") published in December 2020. The Governors consider that the School's governance framework aligns with appropriate aspects of the Code and will continue to take positive steps towards working in line with the Code in all ways where it is practicable to do so.

### **Statement on Fundraising**

The charity had no fundraising activities requiring disclosure under s.162A of the Charities Act 2011.

### **Statement on disclosure of information to the auditor**

Insofar as each of the Governors, as directors of the charitable company, at the date of approval of this report is aware there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware. Each member of the Board of Governors has taken all steps that he or she should have taken as a member of the Board of Governors in order to make himself or herself aware of the relevant audit information and to establish that the company's auditor is aware of that information.

# **THE DOWNS, MALVERN COLLEGE PREP SCHOOL**

## **Report of the Governors for the year ended 31 July 2021 (continued)**

### **Independent Auditor**

Crowe U.K. LLP have indicated their willingness to accept their reappointment and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board of Governors, the Report of the Governors, including the Strategic Report, was authorised on 18 November 2021 by

A handwritten signature in black ink, appearing to be 'C.A.P. Leonard', written in a cursive style.

**C.A.P Leonard  
Chairman**

## **THE DOWNS, MALVERN COLLEGE PREP SCHOOL**

### **Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School for the year ended 31 July 2021**

#### **Opinion**

We have audited the financial statements of The Downs, Malvern College Prep School for the year ended 31 July 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2021 and of the 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.

#### **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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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**

In auditing the financial statements, we have concluded that Governor's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The Governors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School for the year ended 31 July 2021 (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with Report of Governor; or
- sufficient and proper accounting records have not been kept by the charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities Governor

As explained more fully in the Statement of Governor's Responsibilities statement, Governors 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 Governor's determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Governors are responsible for assessing the charity'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 Governors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Governor's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

**Independent Auditor's Report to the Governors of The Downs, Malvern College Prep School for the year ended 31 July 2021 (continued)**

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company for fraud. The laws and regulations we considered in this context for the UK operations were The Education (Independent School Standards) Regulations 2014.

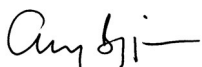
Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of Governors and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be with the completeness and accuracy of fee income and non-fee income, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Commercial Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, designing audit procedures over fee income and non-fee income, reviewing regulatory correspondence with the Charity Commission, Independent Schools Inspectorate, Ofsted and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Guy Biggin  
**Crowe U.K. LLP**  
Statutory Auditor  
4<sup>th</sup> Floor, St James House  
St James Square  
Cheltenham  
GL50 3PR

Date: 23 March 2022

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Statement of Financial Activities (including income and expenditure account) for the year ended 31 July 2021

		Unrestricted Funds	Restricted Funds	2021 Total	2020 Total
	Notes	£	£	£	£
<b>INCOME FROM:</b>					
<b>Charitable activities</b>					
School fees	3	2,786,014	-	<b>2,786,014</b>	2,702,756
Ancillary trading income	4	195,770	-	<b>195,770</b>	210,165
<b>Trading activities</b>	4	27,245	-	<b>27,245</b>	37,651
<b>Investments</b>		571	-	<b>571</b>	5,364
<b>Grants and Donations</b>	2	16,354	175,751	<b>192,105</b>	176,316
<b>TOTAL</b>		3,025,954	175,751	<b>3,201,705</b>	3,132,252
<b>EXPENDITURE ON:</b>					
<b>Raising funds</b>					
Financing costs	5	14,628	-	<b>14,628</b>	8,469
<b>Charitable Activities</b>					
Provision of Education	5	3,416,334	175,751	<b>3,592,085</b>	3,513,333
<b>TOTAL</b>	5	3,430,962	175,751	<b>3,606,713</b>	3,521,802
<b>Net (expenditure)/ income and net movement in funds</b>	6	(405,008)	-	<b>(405,008)</b>	(389,550)
<b>RECONCILIATION OF FUNDS</b>					
Fund balances b/f 1 August	12	6,719,237	6,591	<b>6,725,828</b>	7,115,378
<b>Fund balances c/f 31 July</b>	12	6,314,229	6,591	<b>6,320,820</b>	6,725,828

The notes on pages 16 to 28 form part of the financial statements.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Balance Sheet as at 31 July 2021

Company number: 06292085

	Notes	2021 £	2020 £
<b>Fixed assets:</b>			
Tangible assets	8	5,469,438	5,641,960
<b>Total fixed assets</b>		<b>5,469,438</b>	<b>5,641,960</b>
<b>Current assets:</b>			
Stocks		2,619	2,106
Debtors	9	188,053	125,108
Current asset investments		806,831	806,366
Cash at bank & in hand		427,126	642,858
<b>Total current assets</b>		<b>1,424,629</b>	<b>1,576,438</b>
<b>Liabilities:</b>			
<b>Creditors:</b> amounts falling due within one year	10	<b>(452,345)</b>	<b>(398,024)</b>
<b>Net current assets</b>		<b>972,284</b>	<b>1,178,414</b>
<b>Total assets less current liabilities</b>		<b>6,441,722</b>	<b>6,820,374</b>
<b>Creditors:</b> amounts falling due after more than one year	11	<b>(120,902)</b>	<b>(94,546)</b>
<b>Total net assets</b>		<b>6,320,820</b>	<b>6,725,828</b>
<b>The funds of the charity:</b>			
<b>Restricted funds</b>	12	<b>6,591</b>	<b>6,591</b>
<b>Unrestricted funds</b>	12	<b>6,314,229</b>	<b>6,719,237</b>
<b>Total charity funds</b>		<b>6,320,820</b>	<b>6,725,828</b>

The financial statements were approved and authorised for issue by the board of Governors on 18 November 2021 and were signed on its behalf by:



**C A P Leonard**  
Chairman

The notes on pages 16 to 28 form part of the financial statements.



# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Statement of Cash Flows for the year ended 31 July 2021

	Notes	2021	2020
		£	£
<b>Cash flows from operating activities:</b>			
<b>Net cash (used in)/provided by operating activities</b>	16	<b>(98,593)</b>	<b>(68,276)</b>
<b>Cash flows from investing activities:</b>			
Interest received		571	5,364
Payments to acquire tangible fixed assets		(102,617)	(166,313)
<b>Net cash outflow from investing activities</b>		<b>(102,046)</b>	<b>(160,949)</b>
<b>Cash flows from financing activities:</b>			
Financing costs		(14,628)	(8,469)
Capital element of hire purchase payments		-	-
<b>Net cash used in financing activities</b>		<b>(14,628)</b>	<b>(8,469)</b>
<b>Change in cash and cash equivalents in the reporting period</b>	17	<b>(215,267)</b>	<b>(237,694)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>			
	17	<b>1,449,224</b>	1,686,918
<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>1,233,957</b>	1,449,224

The notes on pages 16 to 28 form part of the financial statements.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021

### Charity information

The Downs, Malvern College Prep School is a private charitable company limited by guarantee and was incorporated in England and Wales on 25 June 2007 (company no: 06292085). The Downs, Malvern College Prep School is registered as a charity with the Charity Commission England and Wales (charity no: 1120616). Its registered and principal office is Brockhill Road, Colwall, Malvern, Worcestershire, WR13 6EY.

### 1 Principal accounting policies

The financial statements have been prepared in accordance with 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) (2<sup>nd</sup> edition effective 1 January 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The Downs, Malvern College Prep meets the definition of a public benefit entity under FRS 102.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The functional and presentational currency of the Charity is considered to be GBP because that is the currency of the primary economic environment in which the Charity operates.

### Going concern

The Governors have considered the School's financial forecasts to assess the School's ability to meet its liabilities as they fall due. They have considered the expectations of pupil numbers, forecast School operating costs and current assets and do not believe there are material uncertainties over the School's ability to continue as a going concern. Accordingly the accounts have been prepared on a going concern basis.

In light of the current climate in relation to the COVID-19 pandemic the Governors have undertaken planning and forecasting and continue to closely monitor the developing situation. Despite the current circumstances the Governors believe that the School's financial resources and contingency planning is sufficient to ensure the ability of the School to continue as a going concern for the foreseeable future, being at least twelve months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

### Donations

Donations are accounted for when receivable.

### Government Grants: Job Retention Scheme

Income from government grants, whether 'capital' grants or 'revenue' grants, is recognised when the School has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably.

Where entitlement occurs before income is received, the income is accrued. Where income is received in advance of the School having entitlement to the funds the income is deferred.

### Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the year in which the service is provided. Fees receivable are stated after deducting allowances, scholarships, grants, bursaries and exhibitions allowed by the School.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 1 Principal accounting policies (continued)

#### **Trading and Ancillary trading income**

All trading and ancillary trading income is accounted for in the period in which the income is earned.

#### **Investment income**

Bank interest earned on funds on deposit is accounted for in the period in which the investment income is earned.

#### **Final term deposits**

Final term deposits are deposits placed when pupils join the School which are offset against fees and disbursements due for the last term each pupil attends. All deposits are classified as creditors, and are treated as deferred revenue.

#### **Expenditure**

Expenditure is accrued as soon as a liability is considered probable. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. There are no costs which cannot be directly attributed to particular headings.

#### **Bursaries, grants and allowances payable**

Grants from restricted funds are included as expenditure in the period for which the award is given. Bursaries and allowances from unrestricted funds towards School fees at the School are treated as a reduction in those fees.

#### **Support costs**

Support costs include central function and governance costs. The governance costs comprise the cost of external audit and the costs of Governors' meetings.

#### **Redundancy costs**

Redundancy costs are recognised immediately as an expense when committed to terminate the employment of an employee or to provide termination benefits.

#### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset, where appropriate.

#### **Fund accounting**

Unrestricted funds are available for use at the discretion of the Governors in furtherance of the general objectives of the School and have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the School for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

#### **Pension costs**

The School contributes to the Teachers' Pension Scheme at rates set by the Scheme Actuary and advised to the Governors by the Scheme Administrator. This scheme is a multi-employer pension scheme. It is not possible to identify the School's share of the underlying assets and liabilities of the Teachers' Pension Scheme on a consistent and reasonable basis and therefore, as required by FRS 102, the scheme is accounted for as if it were a defined contribution scheme. Accordingly, the School's contributions, which are in accordance with the recommendations of the Government Actuary, are charged in the period in which the salaries to which they relate are payable.

The School also contributes to one defined contribution scheme for non-teaching staff. Amounts paid in relation to this scheme are charged to the Statement of Financial Activities when they fall due. All pension costs are allocated to unrestricted funds due to this being the fund the wages and salaries are paid from.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 1 Principal accounting policies (continued)

#### Tangible fixed assets

Assets with a cost below £1,000 are not capitalised.

#### Depreciation

Land is not depreciated. Depreciation of other assets is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. Fixed Assets are not depreciated until they are brought into use. The principal annual rates, applied on a straight line basis on other assets, used for this purpose are:

	%
Buildings	1.8-10
Building improvements	5-20
Temporary classrooms	33
Fixtures & fittings	10-25
Computers and equipment	20-25

#### Stocks

Stocks comprise food stores and stationery which are stated the lower of cost and net realisable value.

#### Debtors

Short term debtors are initially measured at transaction price, less any impairment. Prepayments are recorded at the amount prepaid.

#### Current Asset Investments

Current asset investments are cash held on fixed term deposit with financial institutions.

#### Cash

Cash is represented by cash in hand and deposits with financial institutions.

#### Creditors

Short term creditors are initially measured at the transaction price.

#### Basic financial instruments

The Downs, Malvern College Prep School has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements 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.

The items in the financial statements where these estimates and judgements have been made include the following:

#### Useful economic lives of tangible fixed assets

The annual depreciation charges for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the tangible fixed assets and note 1 for the useful lives for each class of assets.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 1 Principal accounting policies (continued)

#### Impairment of debtors

The School makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 9 for the net carrying amount of the debtors and note 9 for the associated impairment provision.

### 2 Donations

	Year ended 31 July 2021	Year ended 31 July 2020
	£	£
Government Grants: Job Retention Scheme	15,354	62,076
Unrestricted donations	1,000	10,000
Restricted donations	175,751	104,240
Grants and donations	192,105	176,316

A donation of £166k (2020: £101k) was made to the School by Malvern College during the year in recognition of the concessions offered to staff at Malvern College by the School.

The Government grant income received totaling £15,354 (2020: £62,076) relates to the Government's Job Retention Scheme as part of their response to COVID-19. There are no unfulfilled conditions and the School has not received any other forms of Government assistance.

### 3 School fees

The School's tuition fee income comprised:	Year ended 31 July 2021	Year ended 31 July 2020
	£	£
Gross fees	3,311,894	3,711,482
Less: scholarships, bursaries etc.	(615,598)	(628,227)
Less: COVID-19 Temporary Fee Remission	(77,033)	(481,945)
	2,619,263	2,601,310
Add back: allowances paid for by restricted funds	166,751	101,446
	2,786,014	2,702,756

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 4 Other income

	Year ended 31 July 2021	Year ended 31 July 2020
	£	£
<b>Trading activities</b>		
Lettings and other income	27,245	37,651
	<b>27,245</b>	<b>37,651</b>
<b>Ancillary trading income</b>		
Music, speech & drama income	125,011	153,609
Registration fees, trip income and other income	70,759	56,556
	<b>195,770</b>	<b>210,165</b>

### 5 Expenditure

	Staff costs £	Other costs £	Depreciation £	Year ended 31 July 2021 £	Year ended 31 July 2020 £
<b>Raising funds</b>					
Financing costs	-	14,628	-	14,628	8,469
Total	-	14,628	-	14,628	8,469
<b>Charitable activities</b>					
Teaching	1,768,740	305,944	-	2,074,684	2,043,848
Welfare	151,082	310,965	-	462,047	421,045
Premises	84,476	261,660	275,139	621,275	686,382
Support costs of schooling	150,406	283,673	-	434,079	362,058
Provision of Education	2,154,704	1,162,242	275,139	3,592,085	3,513,333
<b>Total expenditure</b>	<b>2,154,704</b>	<b>1,176,870</b>	<b>275,139</b>	<b>3,606,713</b>	<b>3,521,802</b>

Included within support costs are governance costs of £14,336 (2020: £11,176) which mainly comprise the costs of administering the charity and audit fees.

### 6 Net (expenditure)/income for the year

	Year ended 31 July 2021 £	Year ended 31 July 2020 £
<b>Net (expenditure)/income for the year is stated after charging:</b>		
Auditor's remuneration for audit	8,640	9,550
Auditor's remuneration for other assurance engagements	1,225	1,225
Auditor's remuneration for tax services	1,000	300
Depreciation/fixed asset write-off – owned assets	275,139	280,165

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 7 Employee & Governor information

	Year ended 31 July 2021	Year ended 31 July 2020
	Number	Number
The monthly average headcount of persons employed by the School during the year was:		
Teaching	50	53
Pastoral	2	2
Domestic	11	11
Administration	13	12
	76	78

### Staff Costs

	Year ended 31 July 2021	Year ended 31 July 2020
	£	£
Wages & Salaries	1,705,132	1,731,385
Social Security costs	153,771	158,985
Other Pension costs (note 15)	295,801	296,726
Total	2,154,704	2,187,096

During the year, the Charity made redundancy/termination payments amounting to £16,377 (2020: £nil).

The number of employees whose emoluments exceeded £60,000 was:

	Year ended 31 July 2021	Year ended 31 July 2020
	Number	Number
£60,001 - £70,000	1	
£80,001 - £90,000		1

For those staff whose emoluments exceed £60,000 pension contributions amounting to £Nil (2020: £8,596) were paid by the School. None of the Governors received any remuneration during the current year (2020: none). Governors received £776 reimbursement for travel expenses (2020: none).

	Year ended 31 July 2021	Year ended 31 July 2020
	£	£
Senior Management Team Remuneration	136,706	174,575

The amount stated above is including pension and employers' national insurance.

### Governors

Two Governors (2020: one) had a child at the School during the year. One received a sibling allowance for their child and the other an exhibition for their child. All fee concessions were awarded on an arms-length basis.

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 8 Tangible fixed assets

	Freehold land & buildings £	Building improvements £	Fixtures, fittings & computer equipment £	Total £
<b>At cost</b>				
At 31 July 2020	10,485,596	337,691	652,951	11,476,238
Additions	5,328	72,793	24,496	102,617
<b>At 31 July 2021</b>	<b>10,490,924</b>	<b>410,484</b>	<b>677,447</b>	<b>11,578,855</b>
<b>Accumulated Depreciation</b>				
At 31 July 2020	5,143,760	189,951	500,567	5,834,278
Charge in the year	196,658	27,626	50,855	275,139
<b>At 31 July 2021</b>	<b>5,340,418</b>	<b>217,577</b>	<b>551,422</b>	<b>6,109,417</b>
<b>Net book values</b>				
<b>At 31 July 2021</b>	<b>5,150,506</b>	<b>192,907</b>	<b>126,025</b>	<b>5,469,438</b>
At 31 July 2020	5,341,836	147,740	152,384	5,641,960

The Freehold land and buildings were valued at £5,500,000 at 21 June 2007, on a freehold basis with vacant possession, by valuers John Goodwin, Chartered Surveyor, while in the ownership of The Downs School (Colwall). This valuation formed the basis for the value at which the assets were transferred to the company under the terms of the merger deed, and this is accordingly taken as the deemed cost of the asset. 13% of the £5,500,000 land and buildings transferred was identified as land in the year and no depreciation has been charged.



Notes to the financial statements for the year ended 31 July 2021 (continued)

9 Debtors

	31 July 2021	31 July 2020
	£	£
School fees	91,349	57,267
Balances owed by related party	-	-
Other debtors	1,003	9,516
Prepayments	95,701	57,142
Accrued income	-	1,183
	<b>188,053</b>	<b>125,108</b>

School fees are stated after impairment provisions totalling £24,330 (2020: £25,758).

10 Creditors: amounts falling due within one year

	31 July 2021	31 July 2020
	£	£
Trade creditors	159,648	66,489
Advanced fees	117,995	167,267
Taxation and social security	36,958	37,987
Other creditors	1,778	16,415
Entrance fee deposits	36,279	54,806
Deferred income	73,930	-
Accruals	25,757	55,060
	<b>452,345</b>	<b>398,024</b>

11 Creditors: amounts falling due after more than one year

	31 July 2021	31 July 2020
	£	£
Entrance fee deposits	120,902	94,546
Fees in advance scheme	-	-
	<b>120,902</b>	<b>94,546</b>

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 12 Funds

	At 1 August 2020	Income	Expenditure	At 31 July 2021
	£	£	£	£
<b>Restricted funds</b>				
Restricted donations	6,591	9,000	(9,000)	<b>6,591</b>
Malvern College	-	166,751	(166,751)	-
	<b>6,591</b>	<b>175,751</b>	<b>(175,751)</b>	<b>6,591</b>
<b>Unrestricted funds</b>				
School fund	6,719,237	3,025,954	(3,430,962)	<b>6,314,229</b>
<b>Total charity funds</b>	<b>6,725,828</b>	<b>3,201,705</b>	<b>(3,606,713)</b>	<b>6,320,820</b>

Restricted donations comprise amounts for bursaries which were kindly given to the School.

The Malvern College donation of £166,751 (2020: £101,000) was made to the School during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

### 13 Comparative Funds

	At 1 August 2019	Income	Expenditure	At 31 July 2020
	£	£	£	£
<b>Restricted funds</b>				
Restricted donations	3,796	2,795	-	<b>6,591</b>
Malvern College	-	101,445	(101,445)	-
	<b>3,796</b>	<b>104,240</b>	<b>(101,445)</b>	<b>6,591</b>
<b>Unrestricted funds</b>				
School fund	7,111,582	3,028,012	(3,420,357)	<b>6,719,237</b>
<b>Total charity funds</b>	<b>7,115,378</b>	<b>3,132,252</b>	<b>(3,521,802)</b>	<b>6,725,828</b>

Restricted donations comprise amounts for bursaries which were kindly given to the School.

The Malvern College donation of £101,000 (2019: £91k) was made to the School during the year in recognition of the staff concessions offered to staff at Malvern College by the School.

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 14 Analysis of the net assets between funds

The net assets are held for the various funds as at 31 July 2021 as follows:

Net assets of the School's funds	Fixed assets	Net current assets	Long term liabilities	Fund balances
	£	£	£	£
Restricted funds	-	6,591	-	6,591
Unrestricted funds	5,469,438	965,693	(120,902)	6,314,229
	5,469,438	972,284	(120,902)	6,320,820

### 14a Comparative Analysis of the net assets between funds

The net assets are held for the various funds as at 31 July 2020 as follows:

Net assets of the School's funds	Fixed assets	Net current assets	Long term liabilities	Fund balances
	£	£	£	£
Restricted funds	-	6,591	-	6,591
Unrestricted funds	5,641,960	1,171,823	(94,546)	6,719,237
	5,641,960	1,178,414	(94,546)	6,725,828

### 15 Pensions

#### Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £283,208 (2020: £281,920) and at the year-end £31,540 (2020 - £nil) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.4% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.68%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied. The government announced on 4 February 2021 that it intends to proceed with a deferred choice

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

underpin under which members will be able to choose either legacy or reformed scheme benefits in respect of their service during the period between 1 April 2015 and 31 March 2022 at the point they become payable.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards. The pause was lifted in July 2020, and a consultation was launched on 24 June on proposed changes to the cost control mechanism following a review by the Government Actuary. The consultation closed to response on 19 August 2021 and the Government is currently analysing the responses.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until the cost cap mechanism review is completed it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly, no provision for any additional past benefit pension costs is included in these financial statements.

### Other pension schemes

From 1 July 2014, the School has contributed to a defined contribution pension scheme on behalf of its employees. The cost to the School of this scheme for the year to July 2021 is £12,594 (2020: £14,806).

### 16 Reconciliation of cash flows from operating activities

	2021	2020
	£	£
Net expenditure for the year	(405,008)	(389,550)
<b>Adjustments for:</b>		
Fixed assets depreciation	275,139	280,165
Interest received	(571)	(5,364)
Financing costs	14,628	8,469
(Increase)/Decrease in stocks	(513)	625
(Increase)/Decrease in debtors	(62,762)	108,735
Increase/(Decrease) in creditors	80,494	(71,356)
<b>Net cash used in operating activities</b>	<b>(98,593)</b>	<b>(68,276)</b>

### 17 Analysis of cash and cash equivalents

	1 August 2020	Cash-flow	31 July 2021
	£	£	£
Net cash:			
Current asset investments	806,366	465	806,831
Cash at bank and in hand	642,858	(215,732)	427,126
<b>Total cash and cash equivalents</b>	<b>1,449,224</b>	<b>(215,267)</b>	<b>1,233,957</b>

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 18 Related party transactions

#### Malvern College

At the end of July 2021, £5,665 was owed by the School to Malvern College for amounts paid by Malvern College on behalf of the School (2020: £Nil). At the end of July 2021, £649 was owed to the School by Malvern College for amounts paid by the School on behalf of the Malvern College (2020: £Nil).

The School incurred £107,734 (2020: £111,000) to Malvern College for the provision of bursarial services, IT subscriptions and IT support services throughout the year.

A donation of £166,751 (2020: £101,000) was made by Malvern College to the School during the year in recognition of the concessions offered to staff at Malvern College by the School. £Nil was outstanding at the year end (2020:£Nil).

A loan of £nil (2020: £1,800) to the Headmaster was outstanding at the year end. The loan was for expenditure in relation to furnishing and equipping the Headmaster's house and is being repaid monthly. An interest rate of 4.75% pa is applied to this loan.

SMB Ltd undertook no minor project work in the financial year. In 2020 the Company undertook minor project works with a value of £2,200. SMB Ltd is run and owned by Mr S Morris, brother of Mr D Morris, who is a Governor of the School.

### 19 Taxation

The School was a registered charity throughout the year and, as such, for its charitable (primary purpose) trading was not liable to corporation tax on the surplus of income over expenditure for the year, or to capital taxes on gains arising from the disposal of assets. For any surplus, over the small trading exemption on non-primary purpose trading, corporation tax will be payable.

### 20 Capital

The School is a company limited by guarantee. Each member has undertaken to contribute £10 to the assets of the company to meet its liabilities if called on to do so. The total amount guaranteed by members at 31 July 2021 was £110 (2020: £110).

### 21 Capital commitments

The School had capital commitments of £66,207 relating to the windows replacement programme (£21,528) and the upgrading of the fire alarm systems (£44,679) at 31 July 2021 (2020: £Nil).

# THE DOWNS, MALVERN COLLEGE PREP SCHOOL

## Notes to the financial statements for the year ended 31 July 2021 (continued)

### 22 Comparative Statement of Financial Activities

		Unrestricted Funds	Restricted Funds	2020 Total
	Notes	£	£	£
<b>INCOME FROM:</b>				
<b>Charitable activities</b>				
School fees	3	2,702,756	-	2,702,756
Ancillary trading income	4	210,165	-	210,165
<b>Trading activities</b>	4	37,651	-	37,651
<b>Investments</b>		5,364	-	5,364
<b>Grants and Donations</b>	2	72,076	104,240	176,316
<b>TOTAL</b>		3,028,012	104,240	3,132,252
<b>EXPENDITURE ON:</b>				
<b>Raising funds</b>				
Financing costs	5	8,469	-	8,469
<b>Charitable Activities</b>				
Provision of Education	5	3,411,888	101,445	3,513,333
<b>TOTAL</b>	5	3,420,357	101,445	3,521,802
<b>Net (expenditure)/ income and net movement in funds</b>	6	(392,345)	2,795	(389,550)
<b>RECONCILIATION OF FUNDS</b>				
Fund balances b/f 1 August	13	7,111,582	3,796	7,115,378
<b>Fund balances c/f 31 July</b>	13	6,719,237	6,591	6,725,828