

**ARDEN ACADEMY TRUST**  
**(A Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 AUGUST 2014**

***Company Limited by Guarantee***  
***Registration Number: 7375267***  
***(England & Wales)***

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## REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, TRUSTEES AND ADVISORS

<b>Trustees and Members</b>	Dr C O'Donovan * (Chair) D Smart (resigned 18 March 2014) W Jarema * M Murphy * (Principal and Accounting Officer) D Burgess (Teacher Trustee) G Harley - Mason K Blake (resigned 24 October 2013) N Mackenzie* (resigned 4 March 2014) P Scott * (Associate Staff Trustee) R Brown S Bloomer W Bohanna* J Rice * (Parent Trustee) M Ing L Hough* A Stonehewer (Parent Trustee) A Devitt (Parent Trustee) P Rylah (Parent Trustee)
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\* = members of the Finance and Resources Committee

**Company Secretary** C Austin

**Senior Management Team**

**Principal** M Murphy

**Vice Principal** D Burgess

**Vice Principal** C Robinson

**Assistant Principal** E Allton

**Assistant Principal** E Collett

**Assistant Principal** P Kilbey

**Assistant Principal** S Lewsey

**Assistant Principal** D Parman - retired 31 August 2014

**Assistant Principal** P Simpson - appointed 1 January 2014

**Assistant Principal** D Warwood

**Business Manager** A Hinsley

**Finance Manager** C Austin

**Principal & Registered Office Address** Station Road

Knowle

Solihull

B93 0PT

**Company Registration Number** 7375267

**Independent Auditor** UHY Hacker Young (Birmingham) LLP  
9-11 Vittoria Street  
Birmingham  
B1 3ND

## TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014

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

The Company was formed on the 14 September 2010 and the Academy commenced on that date. The trust operates an academy for pupils aged 11 to 18 serving a catchment area in Knowle, Solihull. It has a pupil capacity of 1,393 and had a roll of 1,207 in the school census on 2 October 2014. Including the sixth form, total pupil numbers are 1,525.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### Constitution

The academy trust is a company limited by guarantee with no share capital (registration no: 7849858) and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees for Arden Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Arden Academy Trust. Details of the trustees who served during the year except as noted are included in the Reference and Administrative details on page 3.

#### 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.

#### Trustees' Indemnities

Arden Academy Trust has in place directors and trustees liability insurance indemnity cover to a limit of £5m.

#### Method of Recruitment and Appointment or Election of Directors and Trustees

There are clearly defined and approved procedures for the selection and appointment of directors and trustees which are outlined in the company's standing orders. Consideration is given to the skills of directors and trustees which would enhance the effectiveness of the trust.

With regards to parent, community and staff trustees, procedures are in place for nomination and election of the trustees.

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

During the year under review the trustees held 7 full board meetings and several sub-committee meetings. The training and induction provided for new trustees will depend on their existing experience. Where necessary induction will provide training on charity and educational, legal and financial matters. All new trustees meet with the Chair of Trustees and will be given a tour of the academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees.

#### Organisational Structure

During the year the leadership structure was further developed increasing capacity and improving the way the academy is run. This enabled the seamless strategic takeover of the leadership and management of Park Hall Academy in December 2013 after the academy went into special measures. The structure consists of three levels: 1) the trustees, 2) the Senior Management Team and 3) the Heads of Subject/year teams. The aim of the new management structure is to devolve responsibility, increase accountability, raise standards and encourage involvement in decision making at all levels.

The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy by the use of budgets and making major decisions about the direction of the academy, capital expenditure and senior staff appointments.

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Organisational Structure (cont'd)**

The Senior Leaders are currently the Principal, two Vice Principals, six/seven Assistant Principals and a Business Manager. These leaders control the academy at an executive level implementing the policies laid down by the trustees and reporting back to them. As a group the Senior Leaders are responsible for the authorisation of spending within agreed budgets and the appointment of staff. Some spending control is devolved to members of the management team, with limits above which a Senior Leader must countersign.

The Heads of Subject/year includes the Senior Management Team, Subject/Curriculum Leaders and the Pastoral Inclusion Team. These managers are responsible for the day to day operation of the academy, in particular organising the staff, facilities and students.

**Connected Organisations**

Arden is a sponsor to Park Hall Academy, Arden nominate trustees and give support to assist the Park Hall Academy in achieving its objectives. This support greatly increased from December 2013 after Park Hall went into special measures after an Ofsted inspection in November 2013.

**OBJECTIVES AND ACTIVITIES****Objects and Aims**

The principal object and activity of the charitable company is to advance for the public benefit education in Arden Academy Trust, in particular without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

The main objectives of the academy during the year ended 31 August 2014 are summarised below:

- To ensure that every pupil enjoys the same high quality education in terms of resourcing, tuition and care, no child is invisible at Arden Academy Trust;
- Prepare each pupil to get the very best out of their lives;
- Teach community spirit and our place in the global world;
- Make a suitable environment and create the atmosphere for achievement;
- All pupils have the right to learn and achieve uninterrupted education by others;
- All pupils have the right to be able to take risks with their learning in a happy and secure environment;
- All members of our community will co-operate with others and will be polite, considerate and honest;
- All members of our community will accept that with rights go personal responsibilities
- Arden Academy Trust will expect high standards of behaviour and promote an understanding of the difference between right and wrong;
- All pupils have the right to have their progress monitored and be provided with regular constructive feedback and the setting of challenging but realistic targets;
- To raise the standard of educational achievement of all pupils;
- To improve the effectiveness of the academy by keeping the curriculum and organisational structure under continual review;
- To provide value for money for the funds expended;
- To comply with all appropriate statutory and curriculum requirements;
- To maintain close links with industry and commerce; and
- To conduct the academy's business in accordance with the highest standards of integrity, actively promoting the fundamental British values of democracy, the rule of law, individual liberty and a mutual respect of tolerance of those with different faiths and beliefs.

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Principal Activities**

This mission statement of Arden Academy Trust (AAT) is: Arden is a centre of excellence; we have the very highest aspirations across the whole range of curricular and extra-curricular work. Outstanding academic performance is underpinned by exemplary care and guidance; our ethos is fundamental in ensuring that everyone works together and is supported and challenged appropriately to achieve their very best. We pride ourselves in being a happy and safe school rooted in the local community.

The AAT mission will be delivered through the following aims. Arden aims to:

- prepare each pupil to get the very best out of their lives
- make a suitable environment and create an atmosphere for achievement
- enable pupils to find enjoyment in learning through doing
- teach community spirit and our place in the global world
- ensure each individual is valued equally

**Objects, Strategies and Activities**

The academy's main strategy is encompassed in its mission statement. To this end the activities provided include:

- tuition and learning opportunities for all students to attain appropriate academic qualifications;
- training opportunities for all staff, and especially teaching staff;
- placing of students with industrial and commercial partners;
- a programme of sporting and after school leisure activities for all students;
- a system of after school clubs to allow students to explore science and engineering in a practical and project oriented way;
- a careers advisory service to help students obtain, implement or move on to higher education.

**Equal Opportunities Policy**

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

**Disabled Persons**

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the academy. The policy of the academy is to support recruitment and retention of students and employees with disabilities. The academy does this by adapting the physical environment of its older buildings and grounds where practical.

**Public Benefit**

The trustees have complied with their duty in section 17 of the Charities Act 2011 to have due regard to the guidance on public benefit published by the Charity Commission (on their website) in exercising their powers or duties.

During 2013/14 the following activities relating to public benefit were undertaken:

- 1 The education and learning of 1,525 (2013:1,511) pupils by 159 (2013: 142) teachers and other staff.
- 2 Improving academic performance by raising educational standards and individual achievement.
- 3 Providing high levels of pastoral care, personal coaching and family support.
- 4 Developing educational links to the benefit of pupils with other educational providers and business.

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)**

These key activities were underpinned by the:

- 1 Succession planning supported the further development of the leadership team and allowed the academy to make further improvements in teaching and learning, assessment and pastoral care.
- 2 Delivery of substantial estate improvements linked to Health and Safety, Library improvements, ICT and teaching rooms. Further development took place with the New Teaching Block when planning permission was granted and the Board of Governors went out to tender. It is hoped that building will commence in the Autumn term 2014 and the teaching block will be ready for July 2015.

**STRATEGIC REPORT****Achievements and Performance**

The academy has successfully completed its fourth year of operation. It is currently heavily over subscribed and it is likely that the academy will continue to be for the foreseeable future.

Arden Academy Trust is justifiably proud of its reputation both locally and nationally. In 2014 following a very volatile year which saw many changes to the examination system and the academic bar being raised, the GCSE results achieved were excellent with 99% achieving 5A\* - C and 85% achieving 5A\* - C including English and Maths. The performance at the highest grades, A/A\* increased to 36%. The A Level figures were equally impressive with a 99.2% pass rate and almost two thirds of the students gaining A\*/B grades. The average point score per student was 841 (2013: 832) a record for Arden. In addition 100% of students who applied to university were successful in obtaining places at their chosen university. Courses included: Engineering, Law, Mathematics, Medicine, Physics, Music, Drama and Veterinary Sciences to name but a few. Students have settled well into their university courses at places such as Birmingham, Oxford, Cambridge, Durham, Sheffield, Cardiff and many others the length and breadth of the country. As one of the highest performing comprehensives in the country, we believe that we can offer tremendous opportunities to students who value their learning, who have the drive and ambition to be successful and above all to secure their future in an increasingly global community.

To ensure that standards continually rise, the academy deploys robust monitoring and evaluation systems and extensive training to improve the quality of teaching, learning and assessment. The academy also participates in local and national programmes to improve rates of student progress.

In July 2014 100% of students entered education, employment or training on leaving the academy at the end of key stage four.

Additionally, the academy continued to extend its activities to increasing links with its community.

**Key Financial Performance Indicators**

The academy trust established a financial budget at the start of the year and a Finance and Resources Committee to monitor performance against budget during the period. Further financial and non financial indicators will be introduced as the trust develops. The trustees consider that the following are key performance indicators for the academy trust, for example:

	<b>2014</b>	<b>2013</b>
Pupil numbers	1,525	1,511
Percentage of income received from EFA to total staff costs	80%	80%
Staff costs as a % of grant income	81%	80%
Staff costs as a % of total costs	75%	75%
Capital expenditure per pupil	£128	£263

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Going Concern**

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

**FINANCIAL REVIEW****Overview**

The principal source of funding for the academy trust is the General Annual Grant. Most of the academy's income is obtained from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2014 and the associated expenditure are shown as restricted funds in the statement of financial activities.

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

During the year ended 31 August 2014, total expenditure of £7,270,000 (2013: £7,190,000) was more than covered by recurrent grant funding from the DfE together with other incoming resources. Capital expenditure of £195,000 (2013: £398,000) was more than the grant income received, the remaining balance was funded from capital reserves.

At 31 August 2014 the net book value of fixed assets was £18,328,000 (2013: £18,603,000) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the academy.

The academy was admitted to the Local Government Pension Scheme (LGPS) on a fully funded basis as at 14 September 2010, with past service liabilities exceeding assets by £644,000 at that date. Assets at the level of £327,000, form the starting point of the projections.

The figures as at 31 August 2014 are based on projecting forward the estimated position at 1 September 2013 and assume that the experience over the year, apart from investment returns, has been in line with the assumptions made at the start of the year.

The estimated FRS17 deficit at 31 August 2014 is £645,000 (2013: £675,000) which compares to a deficit of £644,000 at the admission date of 14 September 2010. The main reason for the small increase in the deficit is because of the difference between employer contributions paid and the service cost and lower than expected asset returns and discount rates over the last few years.

It should be noted that the balance sheet, profit and loss and statement of recognised gains and losses figures will be volatile over time. This is generally because the FRS17 liabilities are largely linked to corporate bond yields whereas the scheme invests a large part of its assets in equities.

**Financial and Risk Management Objectives and Policies**

The Trust's financial and risk management objectives are documented in its:

- Official budgets
- Scheme of delegation
- Financial regulations
- Risk management policies



**TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Financial and Risk Management Objectives and Policies (cont'd)**

Particular items which warrant specific disclosure are noted within this annual report.

At the time of reporting, the trust's identified key risks are:

- The risk of achievement in core subjects being below expectations caused by national changes to the curriculum and examination structures.
- The risk to outcomes from education being delivered in poor quality buildings.
- The future financial position of the LGPS pension scheme

**Reserves Policy**

The trustees review the reserve levels of the academy monthly. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of reserves should be equivalent to 4 weeks expenditure, approximately £500,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

**Financial Position**

The academy held fund balances at 31 August 2014 of £18,662,000 (2013 £18,847,000) after allowing for the pension deficit of £645,000 (2013: £675,000); comprising £17,683,000 (2013: £17,929,000) of restricted funds and £979,000 (2013: £918,000) of unrestricted general funds.

**Investment Policy**

All investments are made in accordance with the policy of the trust. The trust's policy on investments are one of minimum risk with all investments being held with the trust's bankers. The trust will nevertheless seek to maximise interest receipts within this arrangement. This policy will be reviewed in the year ending 31 August 2015. Investments are made with regard to Charity Commission guidance in relation to investments.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Board has considered the risks faced by the trust throughout its normal operational business. It has sought to address the risks faced by the trust by establishing appropriate governance and management arrangements, including the appointment of senior staff and other managers, and establishing robust operational policies. The Board considers that these arrangements have been effective throughout the period being reported.

The Board intends to build on this success by establishing a formal risk management policy, which will formally document the managerial action that is taking place, and should enable future risk management to be more systematic.

**Risk Management**

The trustees have assessed the major risks to which the academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the academy, and its finances. The trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, safeguarding and school trips) and in relation to the control of finance. They have maintained systems, including operation procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial control in order to minimise risk. Where significant risk still remains they have ensured they have adequate insurance cover where applicable. The academy has an effective system of internal financial controls and this is explained in more detail in the following statement.

Mitigating action, both current and planned, has been identified to address risks. This is also true of all other risks that have been formally identified which have a lower level of impact and/or likelihood.

**TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Plans for Future Periods**

The deficit position of the Local Government Pension Scheme may result in an increase in employers pension contributions over a period of years. It is intended that the academy will revisit its current business plans and budgets and ascertain how the pension costs might impact on the budgets in the future.

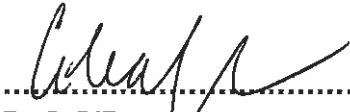
**Auditors**

In so far as the trustees are aware:

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

The auditors, UHY Hacker Young (Birmingham) LLP, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

The Trustees' Report incorporating a Strategic Report was approved by the Board of Trustees, as the company directors on 23 October 2014 and signed on their behalf by:



.....  
**Dr C O'Donovan**  
**Chair of Trustees**

**23 October 2014**

**GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2014****Scope of Responsibility**

As trustees, we acknowledge we have overall responsibility for ensuring that Arden Academy Trust 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 Principal, 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 Arden Academy Trust and the Secretary of State for Education. The Principal is also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the trustees' report and in the Statement of Trustees' Responsibilities. The **Board of Trustees** has formally met 3 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

<b>Trustees</b>	<b>Meetings attended</b>	<b>Out of a Possible</b>
Dr C O'Donovan - Chair	4	7
D Smart - resigned 18 March 2014	2	5
N Mackenzie - resigned 4 March 2014	2	5
S Bloomer	5	7
R Brown	5	7
J Rice	6	7
A Stonehewer	5	7
L Hough	5	7
K Blake - resigned 24 October 2013	-	2
W Jarema	5	7
G Harley-Mason	7	7
M Ing	7	7
W Bohanna	5	7
M Murphy - Principal and Accounting Officer	7	7
D Burgess - Teacher Trustee	6	7
P Scott - Associate Staff Trustee	5	7
A Devitt	7	7
P Rylah	7	7

The **Finance and Resources Committee** is a sub-committee of the main governing body. Its purpose is to develop the strategic direction and governance procedures on financial matters. Attendance at meetings in the year was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a Possible</b>
C O'Donovan	2	3
N Mackenzie - resigned 4 March 2014	1	2
J Rice	3	3
W Jarema	3	3
M Murphy	3	3
W Bohanna	3	3
L Hough	3	3

**GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****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 Arden Academy Trust for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

**Capacity to Handle Risk**

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

**The Risk and Control Framework**

Arden Academy Trust system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance and Resources Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed R Brown, a trustee, without specific involvement in the work of the Finance and Resources Committee, as Responsible Officer ('RO'). Professional accounting support is available to the RO who is responsible, inter alia, for ensuring appropriate advice is available to the Board on financial management matters, that effective systems are in place and for overseeing a sample audit of financial processes. The RO reports to the board of trustees on the outcomes each term.

**GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Review of Effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

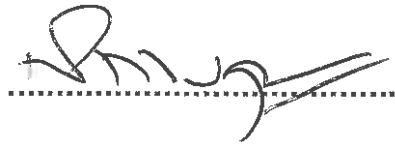
The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Resources Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Governing Body on 23 October 2014 and signed on its behalf by:



**Dr C O'Donovan**

**Chair of Trustees**



**M Murphy**

**Accounting Officer**

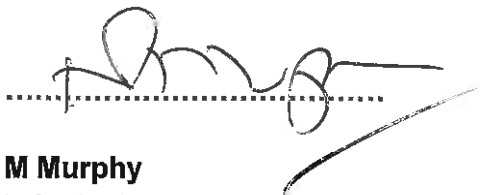
**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2014**

As accounting officer of Arden Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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

Approved by order of the members of the board of trustees on 23 October 2014 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'M Murphy', is written over a horizontal dotted line. A long, sweeping underline stroke extends from the end of the signature.

**M Murphy**  
**Principal**

**Accounting Officer**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2014**

The trustees (who act as governors of Arden Academy Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

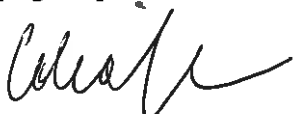
The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 23 October 2014 and signed on its behalf by:

[Signed]



**Dr C O'Donovan**  
**Chair of Trustees**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ARDEN ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2014**

We have audited the financial statements of Arden Academy Trust for the year ended 31 August 2014 which comprise the Statement of Financial Activities, the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

This report is made solely to the academy trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy trust's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy trust and its members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities on page 15, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the trustees report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion**

In our opinion the financial statements:

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ARDEN ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

- adequate accounting records have not been kept; or
- 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.



.....  
**Malcolm Winston**  
**Senior Statutory Auditor**  
**UHY Hacker Young (Birmingham) LLP, Statutory Auditor**  
**9-11 Vittoria Street**  
**Birmingham**  
**B1 3ND**

**23 October 2014**

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ARDEN ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2014**

In accordance with the terms of our engagement letter dated 28 August 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether, in all material respects, the expenditure disbursed and income received by the academy trust during the period 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Arden Academy Trust and the EFA in accordance with our engagement letter. Our review has been undertaken so that we might state to the governing body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Arden Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Arden Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Arden Academy Trust funding agreement with the Secretary of State for Education dated 1st October 2010, and the Academies Financial Handbook extant from 1 September 2013 (updated October 2013), for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

**Approach**

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO  
ARDEN ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY FOR THE YEAR ENDED 31  
AUGUST 2014**

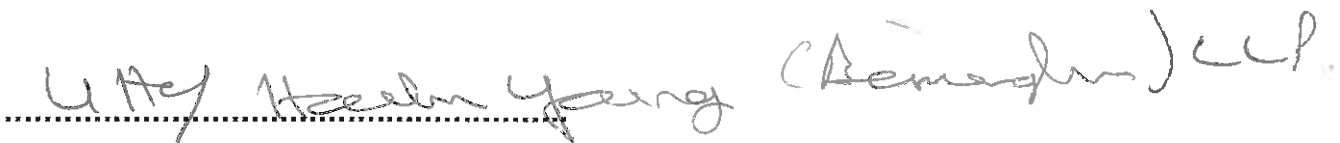
**Approach (con't)**

Summary of the work undertaken was as follows:

- Analytical review of the academy trusts general activities are within the academy trusts framework of authorities;
- Consideration of the evidence supporting the accounting officers statement on regularity, propriety and compliance;
- Review of the general control environment for the academy trust on financial statements and on regularity;
- Sample testing of expenditure transactions to ensure the activity is permissible within the academy trusts framework of authority;
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the academy trust's delegated authorities;
- Formal representations obtained from the board of trustees and the accounting officer acknowledging the responsibilities including disclosing all non compliance with laws and regulations specific to the authorising framework;
- Confirmation that any extra contractual payments such as severance and compensation payments have been appropriately authorised;
- Review of credit card expenditure for any indication of personal use by staff, principal or trustees;
- Review of specific terms of grant funding within the funding agreement;
- Review of related party transactions for connections with the principal/finance manager or trustees;
- Review of income received in accordance with the activities permitted within the academy trust's charitable objectives.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Reporting Accountant**  
**UHY Hacker Young (Birmingham) LLP**  
**9-11 Vittoria Street**  
**Birmingham**  
**B1 3ND**

**23 October 2014**

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2014

(Including Statement of Total Recognised Gains and Losses)

		Unrestricted	Restricted	Restricted	Total	Total
	Note	Funds	General	Fixed	2014	2013
		£'000	Funds	Asset	£'000	£'000
			£'000	Funds		
				£'000		
<b>Incoming resources</b>						
<i>Incoming resources from generated funds:</i>						
- Voluntary income	3	1	-	-	1	-
- Activities for generating funds	4	57	4	-	61	58
Investment Income	5	11	-	-	11	9
<i>Incoming resources from charitable activities:</i>						
- Funding for the academy trust's operations	6	-	6,812	140	6,952	6,990
<b>Total incoming resources</b>		<b>69</b>	<b>6,816</b>	<b>140</b>	<b>7,025</b>	<b>7,057</b>
<b>Resources expended</b>						
<i>Cost of generating funds:</i>						
- Costs of generating voluntary income						
- Investment management costs						
<i>Charitable activities:</i>						
- Academy trust operations	7	-	6,736	470	7,206	7,096
<i>Governance costs</i>	9	-	64	-	64	94
<b>Total resources expended</b>	7	<b>-</b>	<b>6,800</b>	<b>470</b>	<b>7,270</b>	<b>7,190</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>69</b>	<b>16</b>	<b>(330)</b>	<b>(245)</b>	<b>(133)</b>
Gross transfers between funds	16	(8)	(46)	54	-	-
<b>Net income/(expenditure) for the year</b>		<b>61</b>	<b>(30)</b>	<b>(276)</b>	<b>(245)</b>	<b>(133)</b>
<b>Other recognised gains and losses</b>						
Actuarial gains on defined benefit pension schemes	26	-	60	-	60	30
<b>Net movement in funds</b>		<b>61</b>	<b>30</b>	<b>(276)</b>	<b>(185)</b>	<b>(103)</b>
<b>Reconciliation of Funds</b>						
Funds brought forward at 1 September 2013		<b>918</b>	<b>(675)</b>	<b>18,604</b>	<b>18,847</b>	<b>18,950</b>
<b>Funds carried forward at 31 August 2014</b>	16	<b>979</b>	<b>(645)</b>	<b>18,328</b>	<b>18,662</b>	<b>18,847</b>

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

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

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2014

	Note	Total 2014 £'000	Total 2013 £'000
<b>Income</b>			
DfE/EFA General annual grant (GAG)	2 & 6	6,690	6,616
DfE/EFA capital grants	6	140	228
Other DfE/EFA grants	6	89	74
Other government grants	6	33	72
Interest receivable	5	11	9
Funds generation	4	61	58
Other income	3	1	-
<b>Total income</b>		<u>7,025</u>	<u>7,057</u>
<b>Expenditure</b>			
Staff Costs	8	5,474	5,383
Non pay expenditure			
- Premises	8	127	203
- Supplies and services	8	641	609
- Other	8 & 9	558	576
Depreciation	8	470	419
<b>Total expenditure</b>	7	<u>7,270</u>	<u>7,190</u>
<b>Net deficit for the year</b>		<u>(245)</u>	<u>(133)</u>

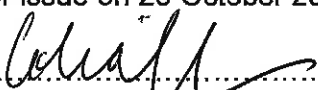
The income and expenditure account is derived from the statement of financial activities on page 20 which, together with the notes to the financial statements on pages 24 to 44 provides full information on the movements during the year on all the funds of the academy trust.

All of the academy trust's activities derived from continuing operations during the above two financial periods.

## BALANCE SHEET AS AT 31 AUGUST 2014

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	13	<u>18,328</u>	<u>18,604</u>
		<u>18,328</u>	<u>18,604</u>
<b>Current assets</b>			
Debtors	14	259	195
Cash at bank and in hand		<u>2,185</u>	<u>1,785</u>
		<u>2,444</u>	<u>1,980</u>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	15	<u>(1,465)</u>	<u>(1,062)</u>
<b>Net current assets</b>		<u>979</u>	<u>918</u>
<b>Total assets less current liabilities</b>		<b>19,307</b>	<b>19,522</b>
<b>Net assets excluding pension liability</b>		<u>19,307</u>	<u>19,522</u>
Pension scheme liability	26	<u>(645)</u>	<u>(675)</u>
<b>Net assets including pension liability</b>		<u><u>18,662</u></u>	<u><u>18,847</u></u>
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
- Restricted fixed asset fund	16	18,328	18,604
- Restricted general fund	16	-	-
- Pension reserve	16	<u>(645)</u>	<u>(675)</u>
<b>Total Restricted Funds</b>		<u>17,683</u>	<u>17,929</u>
<b>Unrestricted funds</b>			
- General fund	16	<u>979</u>	<u>918</u>
<b>Total Unrestricted Funds</b>		<u>979</u>	<u>918</u>
<b>Total</b>		<u><u>18,662</u></u>	<u><u>18,847</u></u>

The financial statements on pages 20 to 23 were approved by the trustees and authorised for issue on 23 October 2014 and signed on their behalf by:



Dr C O'Donovan  
Chair of Trustees

The notes on pages 25 to 44 form part of these financial statements.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2014**

	<b>Notes</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Net cash inflow/(outflow) from operating activities</b>	20	<b>445</b>	<b>(190)</b>
Returns on investments and servicing of finance	21	<b>11</b>	<b>9</b>
Capital expenditure	22	<b>(56)</b>	<b>(170)</b>
Increase/(decrease) in cash in the year	23	<u><b>400</b></u>	<u><b>(351)</b></u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2013	23	<b>1,785</b>	<b>2,136</b>
<b>Net funds at 31 August 2014</b>	23	<u><u><b>2,185</b></u></u>	<u><u><b>1,785</b></u></u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014****1 Statement of Accounting Policies****Basis of Preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

**Going Concern**

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

**Incoming Resources**

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

**● Grants receivable**

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

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

**● Sponsorship income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt

**● Donations**

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

**● Other income**

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

**● Donated services and gifts in kind**

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

- **Transfers of leasehold property**

Leasehold property transferred to the Academy from the local authority at little or no consideration will be revalued at open market value in accordance with the accounting standard FRS15 Tangible Fixed Assets every 5 years. This value will be recognised as incoming resources in the Statement of Financial Activities and will be included in the appropriate fixed assets category and depreciated over the life of the lease.

### Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance Costs**

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

All resources expended are inclusive of irrecoverable VAT.

### Tangible fixed assets

Assets costing £1,000 or more (or computer equipment) are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the Government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the Statement of Financial Activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds depreciation on such assets is charged to the unrestricted fund.

Assets costing less than £1,000 are written off in the year of acquisition. All other assets are capitalised.

### Depreciation

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on leasehold land where the lease is more than 20 years. The principal annual rates used for other assets are:

Leasehold buildings	2%
Furniture and equipment	25%
Plant and Equipment	10%
Computer equipment and software	33.33%

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****Depreciation (cont'd)**

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

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

**Leased assets**

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

**Taxation**

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

**Pensions Benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

**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 the Education Funding Agency/Department for Education and other 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 Education Funding Agency/Department for Education.

	2014	2013
	£'000	£'000
<b>2 GENERAL ANNUAL GRANT (GAG)</b>		
<b>a. Results and Carry Forward for the Year</b>		
GAG brought forward from previous year	-	-
GAG allocation for current year	6,690	6,616
<b>Total GAG available to spend</b>	<u>6,690</u>	<u>6,616</u>
Recurrent expenditure from GAG	(6,644)	(6,490)
Fixed assets purchased from GAG	(46)	(126)
<b>GAG carried forward to next year</b>	<u>-</u>	<u>-</u>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	803	794
<b>GAG to surrender to DfE</b>	<u>(803)</u>	<u>(794)</u>
(12% rule breached if result is positive)	(no breach)	(no breach)
<b>b. Use of GAG Brought Forward from Previous Year for Recurrent Purposes</b>		
(Of the amount carried forward each year, a maximum of 2% of GAG can be used for recurrent purposes. Any balance, up to a maximum of 12%, can only be used for capital purposes)		
Recurrent expenditure from GAG in current year	6,644	6,490
GAG allocation for current year	(6,690)	(6,616)
GAG allocation for previous year x 2%	(132)	(128)
<b>GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year</b>	<u>(178)</u>	<u>(254)</u>
(2% rule breached if result is positive)	(no breach)	(no breach)

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

The academy trust has not exceeded these limits during the year ended 31 August 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
<b>3 VOLUNTARY INCOME</b>				
Donations	1	-	1	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
<b>4 ACTIVITIES FOR GENERATING FUNDS</b>				
Lettings income	49	-	49	48
School fund income	-	4	4	4
Other	8	-	8	6
	<u>57</u>	<u>4</u>	<u>61</u>	<u>58</u>
<b>5 INVESTMENT INCOME</b>				
Bank interest received	11	-	11	9
	<u>11</u>	<u>-</u>	<u>11</u>	<u>9</u>
<b>6 FUNDING FOR THE ACADEMY'S TRUST'S OPERATIONS</b>				
	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
<b>DfE/EFA Capital grants</b>				
Devolved formula capital grant	-	29	29	29
Capital grants	-	111	111	199
	<u>-</u>	<u>140</u>	<u>140</u>	<u>228</u>
<b>DfE/EFA Revenue grants</b>				
General annual grant (GAG) (note 2)	-	6,690	6,690	6,616
Pupil premium grant	-	55	55	66
PE Teachers grant	-	-	-	8
Capacity Grant	-	23	23	-
Year 7 Catch Up Grant	-	11	11	-
	<u>-</u>	<u>6,779</u>	<u>6,779</u>	<u>6,690</u>
<b>Other Government grants</b>				
PGCE grant	-	-	-	15
SEN grant	-	29	29	55
Pupil premium grant	-	4	4	2
	<u>-</u>	<u>33</u>	<u>33</u>	<u>72</u>
	<u>-</u>	<u>6,952</u>	<u>6,952</u>	<u>6,990</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 7 RESOURCES EXPENDED

	Staff Costs	Non Pay Expenditure		Total 2014 £'000	Total 2013 £'000
		Premises	Other Costs		
	£'000	£'000	£'000	£'000	£'000
Costs of generating voluntary income	-	-	-	-	-
Academy's educational operations					
. Direct costs	4,651	-	493	5,144	5,120
. Allocated support costs	823	597	642	2,062	1,976
	<u>5,474</u>	<u>597</u>	<u>1,135</u>	<u>7,206</u>	<u>7,096</u>
Governance costs including allocated support costs	-	-	64	64	94
	-	-	64	64	94
	<u>5,474</u>	<u>597</u>	<u>1,199</u>	<u>7,270</u>	<u>7,190</u>

## Incoming/outgoing resources for the year include:

	£'000	£'000
Operating leases:		
Plant and machinery	30	34
Other leases	-	-
	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 8 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	Total 2014 £'000	Total 2013 £'000
<b><i>DIRECT COSTS</i></b>		
Teaching and educational support staff costs	4,797	4,583
Park Hall Academy Ltd teaching staff recharge	(196)	(16)
Agency staff	50	57
Teachers travel expenses	-	6
Capitation including books	191	239
Park Hall Academy Ltd capitation recharge	(13)	(14)
Materials	3	1
Examination fees	137	152
Training	24	36
Employers advertising teaching	23	10
Music costs - SMBC	13	12
Warwickshire council pupil support	29	13
Other special education needs support	13	9
Education welfare services - SMBC	21	12
Bursary fund	11	3
Careers Service	11	-
School Events	30	17
	<u>5,144</u>	<u>5,120</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 8 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS (Cont'd)

	Total 2014 £'000	Total 2013 £'000
<b>ALLOCATED SUPPORT COSTS</b>		
Support staff costs	823	759
Depreciation	470	419
Building maintenance	73	148
Electricity	73	72
Gas	52	65
Water rates	22	18
General rates	32	21
Postage	9	8
Printing, stationery and reprographics	60	54
Security	8	19
Transport	5	8
Transport - fuel	2	2
Advertising and publicity	3	7
Equipment - other	4	16
Meetings and other expenses	8	7
Catering and payroll services	41	31
Property services - SMBC	30	36
Other services - SMBC	28	31
Cleaning and janitorial contracts	150	149
Refuse collection	12	8
Ground maintenance	24	19
Telephones	17	32
ICT - hardware	10	-
ICT - software and licenses	45	34
ICT - consumables	12	8
Insurance	45	-
Developing community links	4	5
	<u>2,062</u>	<u>1,976</u>
<b>Total direct and support costs</b>	<u>7,206</u>	<u>7,096</u>
	Total 2014 £'000	Total 2013 £'000
<b>9 GOVERNANCE COSTS</b>		
Support governance costs	12	13
Legal and professional fees	35	64
Audit of financial statements	9	9
Other audit costs	1	1
Responsible officer services	5	5
Accountancy and other services	2	2
	<u>64</u>	<u>94</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

**10 STAFF**

<b>a Staff costs</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs during the year were:		
Wages and salaries	4,395	4,269
Social security costs	344	337
Other pension costs	665	609
	<u>5,404</u>	<u>5,215</u>
Supply teachers costs	63	80
Staff restructuring costs	7	88
	<u>5,474</u>	<u>5,383</u>

**b Staff severance payments**

Included in staff restructuring costs are non statutory/non contractual severance payments totalling £7,000 (2013 : £88,250). One (2013:Two) of the non statutory/ non contractual payments exceeded £5,000 individually and these were for £7,000 (2013: £62,250 and £25,500).

**c Staff numbers**

The average number of persons (including senior management team) employed by the academy during the year ended 31 August 2014 expressed as full time equivalents was as follows:

	<b>2014</b>	<b>2013</b>
<b>Charitable Activities</b>	<b>No</b>	<b>No</b>
Teachers	91	91
Administration and support	39	39
Management	9	9
	<u>139</u>	<u>139</u>

**d Higher paid staff**

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

	<b>No</b>	<b>No</b>
£60,001 - £70,000	1	1
£70,001 - £80,000	1	2
£80,001 - £90,000	-	-
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	1

All of the above employees earning more than £60,000 per annum participated in the Teachers' Pension Scheme. During the year ended 31 August 2014, pension contributions for these staff amounted to £33,289 (2013: £49,873).

**11 RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES**

The principal and other staff trustees receive remuneration in respect of services they provide undertaking the roles of principal and staff and not in respect of their services as trustees. Other trustees did not receive any payments, from the academy trust in respect of their role as trustees. The value of trustees' remuneration was as follows:

M Murphy (principal and trustee)	£95,000 - £100,000	(2013:£95,000 - £100,000)
D Burgess (teacher trustee)	£55,000 - £60,000	(2013:£70,000 - £75,000)
P Scott (associate staff trustee)	£20,000 - £25,000	(2013:£20,000 - £25,000)

During the year ended 31 August 2014 there were no travel and subsistence expenses reimbursed to the trustees.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

**11 RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES (cont'd)****Interests in transactions**

Arden Academy Trust as the sponsoring organisation, supplied teaching and support staff services for £225,337 (2013: £30,400) during the year to Park Hall Academy. Park Hall Academy supplied a careers advisor and advertising services to Arden Academy Trust £10,689 (2013: £3,879).

**12 TRUSTEES' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the Academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,638 (2013: £1,463). The cost of this insurance is included in the total insurance cost.

**13 TANGIBLE FIXED ASSETS**

	Leasehold Land & Buildings £'000	Assets under Construction £'000	Furniture & Equipment £'000	Plant & Machinery £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>						
At 1 September 2013	18,998	52	42	34	463	19,589
Additions	1	110	7		77	195
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 August 2014	<u>18,999</u>	<u>162</u>	<u>49</u>	<u>34</u>	<u>540</u>	<u>19,784</u>
<b>Depreciation</b>						
At 1 September 2013	821	-	12	6	147	985
Charged in year	302	-	11	3	154	470
Disposals	-	-	-	-	-	-
At 31 August 2014	<u>1123</u>	<u>-</u>	<u>23</u>	<u>9</u>	<u>301</u>	<u>1,455</u>
<b>Net book value</b>						
At 31 August 2014	<u>17,876</u>	<u>162</u>	<u>26</u>	<u>25</u>	<u>239</u>	<u>18,328</u>
At 31 August 2013	<u>18,177</u>	<u>52</u>	<u>30</u>	<u>28</u>	<u>316</u>	<u>18,603</u>

On 1 October 2010 the academy's leasehold land and buildings were donated to the academy by Solihull Metropolitan Borough Council (SMBC) on 125 year lease at a pepper corn rent. On 21 July 2011 a valuation was prepared by Mr M Swallow MRICS the Strategic Land Advisor at SMBC in accordance with the requirements of the accounting standard FRS15 Tangible Fixed Assets that the leasehold land and buildings gifted had a fair open market value of £17,320,000.

	2014 £'000	2013 £'000
<b>14 DEBTORS</b>		
Trade debtors	69	5
VAT recoverable	83	71
Other debtors	107	119
	<u>259</u>	<u>195</u>
<b>15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Trade creditors	288	533
Taxation and social security	107	97
Other creditors	133	57
Accruals	106	60
Deferred income	831	315
	<u>1,465</u>	<u>1,062</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Cont'd)

Deferred Income	2014 £'000
Deferred income at 1 September 2013	315
Resources deferred in the year	708
Amounts released from previous years	(192)
Deferred income at 31 August 2014	<u>831</u>

At the balance sheet date the academy was holding funds received in advance for 2014/15 for school trips £59,054 (2013: £48,557), devolved formula capital £29,650 (2013: £29,380), academy capital maintenance grant for the multi function teaching block £609,234 (2013: £180,000), academy capital maintenance grant for the boiler £53,558 (2013: £53,558), pupil premium for disadvantaged children £20,178 (2013: £nil), sponsor capacity grant £48,870 (2013: £nil) bursary fund £4,502 (2013: £nil), academy support fund £2,058 (2013: £3,197) and PE Support £4,240 (2013: £nil).

## 16 FUNDS

The income funds of the Academy comprise the following balances of grants to be applied for specific purposes:

	Balance at 1 September 2013 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2014 £'000
<b>Restricted general funds</b>					
General annual grant (GAG) (note i)	-	6,690	(6,644)	(46)	-
Pupil premium grant (note ii)	-	59	(59)	-	-
Capacity grant (note iii)	-	23	(23)	-	-
Year 7 catch up grant (note iv)	-	11	(11)	-	-
SEN grant (note v)	-	29	(29)	-	-
School funds (note vi)	-	4	(4)	-	-
	<u>-</u>	<u>6,816</u>	<u>(6,770)</u>	<u>(46)</u>	<u>-</u>
<b>Restricted fixed asset funds</b>					
DfE capital grants (note vii)	955	140	(168)	-	927
SMBC fixed assets donation (note vii)	16,499	-	(302)	-	16,197
Capital expenditure from GAG (note viii)	649	-	-	46	695
Capital expenditure from SMBC prior years surplus b/fwd (note vii)	501	-	-	8	509
<b>Total restricted funds</b>	<u>18,604</u>	<u>140</u>	<u>(470)</u>	<u>54</u>	<u>18,328</u>
<b>Restricted pension scheme liability</b>					
Pension reserve (note ix)	(675)	-	(30)	60	(645)
	<u>(675)</u>	<u>-</u>	<u>(30)</u>	<u>60</u>	<u>(645)</u>
<b>Total restricted funds</b>	<u>17,929</u>	<u>6,956</u>	<u>(7,270)</u>	<u>68</u>	<u>17,683</u>
<b>Unrestricted Funds</b>					
Unrestricted funds	229	69	-	-	298
SMBC prior years surplus b/fwd	689	-	-	(8)	681
<b>Total unrestricted funds</b>	<u>918</u>	<u>69</u>	<u>-</u>	<u>(8)</u>	<u>979</u>
<b>Total funds</b>	<u>18,847</u>	<u>7,025</u>	<u>(7,270)</u>	<u>60</u>	<u>18,662</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 16 FUNDS (Cont'd)

**Notes**

- i) General Annual Grant must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% (2013:12%) of the current (GAG). Of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the Academy, but any balance over 2% must be used for capital purposes. Note 2 discloses whether the limit was exceeded.
- ii) Pupil premium grant has been used to support children placed at the Academy from the local authority areas and FSM pupils.
- iii) Capacity grant has been used to enable and support the academy to become a multi academy trust.
- iv) Year 7 catch up grant has been used for one to one tuition and teacher intervention to assist pupils transferring from primary to secondary school.
- v) SEN grant has been used as a contribution towards salaries of the learning support department.
- vi) School funds are contributions received from parents which are used to support the Academy's educational activities.
- vii) Restricted fixed assets were funded by government grants, a transfer from the General Annual Grant and by an SMBC prior years surplus brought forward.
- viii) The gross transfer from the restricted general fund to the restricted fixed asset fund of £46,000 (2013:£126,310) represents the total capital expenditure from the General Annual Grant (GAG) during the year.
- ix) The pension reserve represents the deficit on the Local Government Pension Scheme (note 26)

## 17 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2014 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed	-	-	-	18,328	18,328
Current assets	979	-	1,465	-	2,444
Current liabilities	-	-	(1,465)	-	(1,465)
Pension scheme liability	-	(645)	-	-	(645)
	<u>979</u>	<u>(645)</u>	<u>-</u>	<u>18,328</u>	<u>18,662</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 18 CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Contracted for, but not provided in the financial statements	Nil	Nil
Authorised by trustees, but not yet contracted	<u>5</u>	<u>79</u>

## 19 FINANCIAL COMMITMENTS

*Operating*

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

	2014 Other £'000	2013 Other £'000
Operating leases		
• Within one year	4	-
• Within two to five years	28	33
	<u>32</u>	<u>33</u>

## 20 RECONCILIATION OF NET DEFICIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2014 £'000	2013 £'000
Net deficit	(245)	(133)
Depreciation (note 13)	470	419
Capital grants from DfE and other capital income	(140)	(228)
Interest receivable (note 5)	(11)	(9)
FRS 17 pension cost less contributions payable (note 26)	9	5
FRS 17 pension finance cost (note 26)	21	21
(Increase)/decrease in debtors	(62)	(2)
(Decrease)/increase in creditors	403	(263)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>445</u>	<u>(190)</u>

## 21 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Interest received	11	9
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>11</u>	<u>9</u>

## 22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible fixed assets	(196)	(398)
Capital grants from DfE/EFA	140	228
Capital funding received from sponsors and others	-	-
Receipts from sale of tangible fixed assets	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(56)</u>	<u>(170)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

**23 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 Sept 2013 £'000	Cash flows £'000	At 31 Aug 2014 £'000
Cash in hand and at bank	1,785	400	2,185
	1,785	400	2,185

**24 CONTINGENT LIABILITIES**

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to:

- a) the value at that time of the Academy's site and premises and other assets held for the purpose of the Academy: and
- b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

**25 MEMBERS' LIABILITY**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****26 PENSION AND SIMILAR OBLIGATIONS**

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by West Midlands Pension Fund.

The total pension cost to the academy during the year ended 31 August 2014 was £665,075 (2013:£609,191) of which £498,013 (2013: £463,191) relates to the TPS and £167,062 (2013:£146,000) relates to LGPS.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013.

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

**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.

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

**Valuation of the Teachers' Pension Scheme**

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****26 PENSION AND SIMILAR OBLIGATIONS (cont'd)**

The Public Service Pensions Bill, provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

**Teachers' Pension Scheme Changes**

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

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

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

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

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 26 PENSION AND SIMILAR OBLIGATIONS (cont'd)

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in a separate trustee administered funds. The total contributions made for the year ended 31 August 2014 was £213,078 (2013:£184,055) of which employers contributions totalled £167,062 (2013: £146,000) and employees contributions totalled £46,016 (2013: £38,055). The agreed contributions for future years are 13% (2013:17.5%) for employers and 5.8% (2013: 6.1%) 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 liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

**Principal Actuarial Assumptions**

The major assumptions used by the actuary were:

	2014	2013
	% per	% per
	annum	annum
Discount rate	4.0%	4.6%
CPI inflation	2.2%	2.4%
Salary increases	4.0%	4.2%
Pension increase	2.2%	2.4%
Commutation of pensions to maximum cash	50.0%	50.0%
Commutation of pensions to 3/80 cash	50.0%	50.0%

Sensitivity analysis for the principal assumptions used to measure the scheme liabilities were as follows:

	2014	2013
	£'000	£'000
Discount rate reduced by 0.1% per annum	(38)	(33)
Assumed CPI inflation increased by 0.1% per annum	38	34
Life expectancy at retirement increased by 1 year	28	27

The mortality assumptions used were as follows:

	2014	2013
	years	years
Longevity at age 65 retiring today		
- Men	22.9	22.1
- Women	25.5	24.8
Longevity at age 65 retiring in 20 years		
- Men	25.1	23.9
- Women	27.8	26.7



## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 AUGUST 2014 (cont'd)

## 26 PENSION AND SIMILAR OBLIGATIONS (cont'd)

## Local Government Pension Scheme (Cont'd)

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

	Expected return at 31 August 2014	Fair value at 31 August 2014 £'000	Expected return at 31 August 2013	Fair value at 31 August 2013 £'000
Equities	7.0%	443	7.0%	346
Government Bonds	2.9%	78	3.4%	68
Other Bonds	3.8%	102	4.4%	91
Property	6.2%	86	5.7%	71
Cash	0.5%	43	0.5%	33
Other	7.0%	234	7.0%	205
<b>Total assets</b>		<u>986</u>		<u>814</u>
<b>Present value of scheme liabilities</b>				
- Funded		(986)		(814)
- Unfunded		(645)		(675)
<b>Total liabilities</b>		<u>(1,631)</u>		<u>(1,489)</u>
<b>Deficit in the scheme</b>		<u>(645)</u>		<u>(675)</u>

None of the fair values of the assets shown above include any of the Academy's own financial instruments or any property occupied by, or other assets used by, the Academy.

The expected long term return on cash is equal to bank base rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The actual return on the scheme assets in the year was £94,000 (2013: £69,000).

## Amounts recognised in the Statement of Financial Activities

	2014 £'000	2013 £'000
Current service cost	145	125
Past service cost	-	-
<b>Total operating charge</b>	<u>145</u>	<u>125</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 26 PENSION AND SIMILAR OBLIGATIONS (cont'd)

## Local Government Pension Scheme (Cont'd)

	2014	2013
	£'000	£'000
<b>Analysis of pension finance income/costs</b>		
Expected return on scheme assets	(52)	(39)
Interest on pension liabilities	73	60
<b>Pension finance cost</b>	<u>21</u>	<u>21</u>

The Actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £152,000 gain (2013:£92,000 gain).

	2014	2013
	£'000	£'000
<b>Movement in deficit during the period</b>		
Balance at 1 September 2013	675	679
Movement in year:		
- Employer service cost (net of employee contributions)	146	125
- Expected return on scheme assets	(52)	(39)
- Interest cost	73	60
- Employer contributions	(137)	(120)
- Actuarial gain	(60)	(30)
<b>Deficit in the scheme at 31 August 2014</b>	<u>645</u>	<u>675</u>

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

	2014	2013
	£'000	£'000
Scheme liabilities at 1 September 2013	1,489	1,267
Current service cost	146	125
Interest cost	73	60
Contributions by scheme participants	46	38
Benefits paid	(30)	(1)
Actuarial gain	(93)	-
<b>Scheme liabilities at 31 August 2014</b>	<u>1,631</u>	<u>1,489</u>

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

	2014	2013
	£'000	£'000
Fair value of scheme assets at 1 September 2013	814	588
Expected return on scheme assets	52	39
Contributions by employer	137	120
Contributions by scheme participants	46	38
Benefits paid	(30)	(1)
Actuarial (loss)/gain	(33)	30
<b>Fair value of scheme assets at 31 August 2014</b>	<u>986</u>	<u>814</u>

The estimated value of employer contributions for the year ended 31 August 2015 is £121,000 (2014: £101,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)

## 26 PENSION AND SIMILAR OBLIGATIONS (cont'd)

## Local Government Pension Scheme (Cont'd)

The 5 year history of experience adjustments is as follows:

	2014	2013	2012	2011	Admission date 14 September 2010
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	986	814	588	446	327
Present value of scheme liabilities	1,631	1,489	1,267	1,046	971
Deficit in scheme	645	675	679	600	644
Experience adjustment on scheme assets	(33)	30	3	(16)	
Percentage of scheme assets	(3.3%)	3.70%	0.05%	(3.5%)	
Actuarial gain/(loss) recognised in Statement of Financial Activities	60	30	(41)	103	
Percentage of scheme liabilities	3.70%	2.01%	(3.2%)	9.90%	

5 years figures are available as the charitable company was established on 14 September 2010.

## 27 RELATED PARTY TRANSACTIONS

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

The trust made the following purchases at arms' length in accordance with the financial regulations, which the following related parties below neither participated in, nor influenced. In entering into the transactions the trust has complied with the requirements of the EFA's Academies Financial Handbook.

Arden Academy Trust as the sponsoring organisation of Park Hall Academy supplied teaching and support services for £225,337 (2013: £30,400) to Park Hall Academy. Park Hall Academy supplied a careers advisor and advertising services to Arden Academy Trust £10,689 (2013: £3,879).

Business Services for Education Limited provided a health and safety review service for the academy. The Director of the company Mrs J Murphy, is the wife of the Principal Mr M Murphy.

Transactions during the year totalled £nil (2013: £350).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (cont'd)****27 RELATED PARTY TRANSACTIONS (cont'd)**

Ms E Gothard provided flowers for reception at the Academy. Ms E Gothard is the mother of an employee at the Academy Mrs M Bull.

Transactions during the year totalled £812 (2013: £1,050).

Direct 4 Logo's Limited provided clothing for the academy during 2014. One of the directors of the company, Mr Hull is the husband of a senior teacher at the academy Mrs D Hull.

Transactions during the year totalled £4,610 (2013: £7,083).

Mr E Hull provided fitness training to pupils at the academy. Mr E Hull is the son of a senior teacher at the Academy Mrs D Hull.

Transactions during the year totalled £2,000 (2013: £1,350).

Frontline Living History provided World War One history workshops. The sole proprietor of the business, Mr Allton is the husband of a senior teacher at the academy Mrs E Allton

Transactions during the year totalled £1,783 (2013: £nil).

For the transactions detailed above, there was £1,383 outstanding at the year end.(2013: nil).

Mr N Mackenzie is a partner in legal firm Browne Jacobson. Browne Jacobson provided legal and support services to the academy. Mr N Mackenzie resigned as a trustee of the academy on 4 March 2014.

Transactions for the period to 4 March 2014 totalled £15,339 (2013: £9,718).