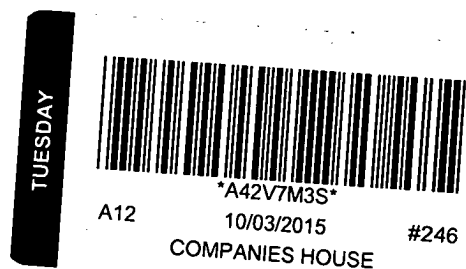


Financial Statements
CHEADLE HULME EDUCATION TRUST
(A company limited by guarantee)

For the year ended 31 August 2014



Company No 7907463

Charitable company information

Company registration number:	7907463
Registered office:	Cheadle Hulme High School Woods Lane Cheadle Hulme Cheshire SK8 7JY
Governors (charity trustees and directors of the company)	Charles Nevin Pauline Benton Anthony Graham Len Elias Cathy Fisher
Company secretary:	Jane Dunkerley
Bankers:	Lloyds TSB 2 Great Underbank Stockport SK1 1LW
Independent Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB

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Trustees' report

The trustees, who are also directors for the purposes of company law, have pleasure in presenting their report and the financial statements of Cheadle Hulme Education Trust ('the Company', 'Charitable Company' or 'the Academy Trust') for the year ended 31 August 2014.

The trustees

The trustees who served the trust during the year, and at the date of this report, were as follows:

Mr Charles Nevin
Mrs Pauline Benton
Mr Anthony Graham
Mr Len Elias
Mrs Cathy Fisher

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee (registered number 7907463) and is an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The Company was incorporated on 12 January 2012 and the fully transitioned operations of Cheadle Hulme High School ('the school') commenced on 1 February 2012 following a decision by the governing body and acceptance by the Secretary of State for Education that the School become an academy as of this date.

The trustees listed above act as the trustees for the charitable activities of Cheadle Hulme High School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Cheadle Hulme Education Trust.

The school has a wider board of governors which is comprised of parent governors, staff governors, other appointed governors and the trustees listed above.

Members' liability

Every member of the Charitable Company undertakes to contribute to the assets of the Charitable 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 and to pay such amounts as may be required not exceeding £10 for the debt and liabilities contracted before he/she ceased to be a member. The Secretary of State for Education can direct the trustees of the Trust in certain circumstances where the quality of education is deemed unsatisfactory.

Trustees' indemnities

The Academy Trust has purchased insurance to cover trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. Details of the costs can be found in note 12 of the accounts.

Trustees' report

Principal Activities

Cheadle Hulme High School converted to Academy status on 1 February 2012 at which point the entity's operations commenced. It is presently the only school operated by the Academy Trust. The Academy Trust's principal activities are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

Method of Recruitment and Appointment or Election of Governors

The Members of the Trust are responsible for the appointment of school governors except a minimum of two parent governors and three staff governors who will be appointed through an election process directed by the governing body. In the event that these positions are not filled, the members of the Trust are able to appoint to these positions.

The number of governors shall be not less than two and shall be subject to a maximum of twenty.

Policies and Procedures Adopted for the Induction and Training of Governors

School governors are appointed based on the skills that they will bring to the governing body or based on a proposal to the governing body by representative groups. On appointment, governors receive information relating to the Trust and attend a briefing and receive an induction pack on the role and responsibilities of governors.

During the year, school governors are offered all necessary training.

Organisational Structure

The governance of the Trust is defined in the Memorandum and Articles of Association together with the funding agreement with the Department of Education. In addition to the trustees (see above), governors are members of committees who report to the board of directors. There are four governors committees; Funding & Audit, Human Resources, Property and Accountability.

The Funding and Audit Committee reports to the full governing body on finance and related issues.

The full governing body meets on at least three occasions per year.

Terms of reference exist for each committee and will be reviewed annually.

The day to day running of the School is delegated by the trustees to management under the leadership of the Head Teacher, who is the Accounting Officer.

Connected organisations including related party relationships

The Trust works closely with the Alder Community High School, Altrincham College of Arts, Castle Hill, Cheadle Hulme School, Copley Academy, Gorsey Bank Primary, Hursthead Junior School, Manchester University, Manchester Metropolitan University, Marple Hall High School, Moat House, New Mills, Pendlebury, Reddish Vale Technology College, Stockport School and Werneth School. None of these organisations are considered to constitute formal related parties.

Trustees' report

Objectives and activities

Objects and Aims

The trust's object is to advance for the public benefit education for children aged 11 to 18 by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

The governors' vision is to create a culture of success to extend lifetime opportunities for young people and to do everything possible to encourage this. The School is recognised by Ofsted as an Outstanding School.

Students are offered a supportive, positive and dynamic learning environment that enables them to focus on their studies and extra-curricular activities. As a result, students achieve academic and technological excellence and extend their sporting, artistic and musical accomplishments.

The School fosters personal development that helps students to find meaning in their lives and respond with creativity and determination to the challenges that arise through the rapid pace of social change.

Our Vision is for every student, regardless of background or circumstance, to achieve the grades and develop the qualities which will open the door to the future of their choice.

Our Vision is based on four 'Cornerstones': Academic Aspiration, Culture & Creativity, Competition & Physical Endeavour and Leadership & Service.

Objectives, Strategies and Activities

The School's objective for the year ending 31 August 2014 was to raise the attainment level of all students through care and well-being, curriculum structure, teaching and learning, and leadership development.

Student roll - the total number on roll for the year 1 September 2013 to 31 August 2014 was 1,386

Attendance - the attendance level achieved for the year was 96.0%.

Permanent exclusions - the aim is to have permanent exclusions only in exceptional circumstances. Cheadle Hulme High School had two permanent exclusions during the year from 1st September 2013 to 31st August 2014.

Staffing - the average number of (full time equivalent) staff employed during the year 1 September 2013 to 31 August 2014 was 138.

Public Benefit

The Academy Trust governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

The school's catchment area is designated by the Local Authority and has not changed since academy status. The governors have reviewed the pupil admission policy and consider there to be no barriers to entry on the grounds of gender, ethnicity or family circumstances.

Trustees' report

STRATEGIC REPORT

Achievements and performance

The academic examination results for the School are set out in the tables below.

Results showing year on year comparison from 2012 to 2014 for GCSE (KS4) results:

Results	2014	2013	2012
5+ A* - C including Maths/English	77%	77%	81%
5+ A* - G	95.9%	100%	100%

The School was graded Outstanding in all 27 categories by Ofsted in 2011.

The Fisher Family Trust is the adopted performance measure and target monitoring tool and is used for Key Stage 3 and 4. The targets provided by the Fisher Family Trust take into account past performance and the profile of student intake.

Standards at key stage 4 (GCSE) have improved year on year from 2006 to 2014. Examination results for 5+ A* - C, including Maths and English, have improved from 57% to 77%.

Attendance levels exceed 96%.

The School places importance on staff retention and development in order to maintain the highest standards of teaching and learning.

Key Financial Performance Indicators

The trustees consider the following financial key performance indicators when assessing performance:

- income (percentage derived from the GAG) – 87% (2013: 72%)
- staff costs as a percentage of income – 75% (2013: 66%)
- cash balance – £655,000 (2013: £1,014,000)

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.

Trustees' report

Financial review

The Trust's financial position demonstrates total income of £13,109,000 with a surplus at the 31 August 2014 of £4,285,000 (including capital grants received in the year). The surplus has been allocated to reserves.

The primary income stream for the Trust is the funding received from the EFA through the General Annual Grant (the 'GAG'). The total income recognised in the year from GAG was £6,762,000.

The reserves will be utilised for continuous improvements and for projects for the repair and replacement of educational equipment and materials. Reserves will also be allocated to the repair, replacement and updating of the School building, its plant equipment and contents.

A strategic capital plan is prepared and reviewed each year by the governors in order that reserves can be prioritised and spent according to the needs of the Academy Trust.

The principal financial management policies adopted in the year are:

- conducting regular financial reviews of income and expenditure versus planned budgets at the Funding and Audit Committee meetings; and
- consideration as to whether the financial income demonstrates a robust and stable position enabling the provision of sufficient quality resources to fulfil the Academy Trust's educational obligations.

Reserves carried forward at the end of the financial year will be utilised as part of the medium and long term plans of the Academy Trust to improve and update its educational resources, materials and equipment, and additionally provide a continuous improvement plan to maintain and repair the school and its facilities.

Reserves Policy

The level of reserves held at 31 August 2014 total £13,260,000. The reserves will be allocated and spent as part of School Improvement Plan to update, improve and maintain its facilities and resources. A capital spending plan has been completed detailing the short, medium and long term needs and plans of the School for which reserves will be allocated and determined in order of priority to meet the needs of the School.

The deficit on the Local Government Pension Scheme (£947,000 at 31 August 2014) does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the Academy Trust in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore no direct impact on free reserves of the Academy Trust because of recognising the deficit.

Trustees' report

Investment Policy

A formal investment policy was adopted by the Governing Body in December 2012.

The aim of the policy is to ensure funds that the Trust does not immediately need to cover anticipated expenditure are invested in such a way as to maximise the Trust's income but with minimal risk. The aim is to research where funds may be deposited applying prudence in ensuring there is minimum risk. The Trust does not consider the investment of surplus funds as a primary activity, rather as a result of good stewardship and as and when circumstances allow.

The Trust will, after constructing and reporting forecasts versus budgets, consider whether it is prudent to deposit funds into an account where improved terms are offered. As improved terms are generally only offered where funds are invested for a fixed term, it may be prudent for the Trust not to invest funds in this manner.

The Trust acts as custodian trustee on behalf of other funds. These funds are held in separate bank accounts and are not included within the balance sheet of the Trust. At 31 August 2014, these funds totalled £49,000.

Principal Risks and Uncertainties

The School has implemented a Risk Management Policy and is in process of creating a risk register and risk review process. The objectives will be to determine an approach, and where it is considered necessary put in place measures of control and mitigation in order to manage risk.

The principal risks are the loss of reputation through falling standards, falling student rolls and failure to safeguard the students of the School

Key controls in place are:

- an organisational structure with defined roles, responsibilities and authorisation levels;
- terms of reference for the committees of the Governing Body;
- financial planning, budgeting and regular management reporting highlighting areas of financial risk;
- formal written and published policies for employees; and
- vetting procedures as required by law for the protection of the vulnerable.

The Trust's employees are members of two defined benefit pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The Trust has recognised its share of the LGPS assets and liabilities in accordance with Financial Reporting Standard no. 17. A deficit has been recognised at 31 August 2014. The TPS has been accounted for as a defined contribution scheme. Further details of the accounting policy adopted for each scheme are included in note 1 to the financial statements.

Trustees' report

Financial and Risk Management Objectives and Policies

The Trust has developed risk management procedures as outlined above. The governors have undertaken an assessment of the major risks to which the Academy is exposed and a formal review of the Trust's risk management process will be undertaken on an annual basis.

The Trust uses a variety of financial instruments, including cash and items such as trade debtors and trade creditors that arise directly from day to day activities. The main purpose of these financial instruments is to ensure liquidity for the Trust's operations.

Risk Management

The governors have assessed the major risks to which the Academy Trust is exposed, in particular those related to the operations and finances of the Trust, and are satisfied that systems are in place to mitigate any exposure to major risks.

A formal review of the Trust's risk management process will be undertaken on an annual basis and key controls will be put in place to include:

- formal agendas for all committee activity;
- terms of reference for all governing body and delegated committees under the direction of the governing body;
- pecuniary interests of governors are reviewed annually;
- comprehensive budgeting and management reporting;
- established organisational structure and clear lines of reporting;
- formal written policies;
- clear authorisation and approval levels; and
- vetting procedures as required by law for the protection of the vulnerable.

It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Due to the nature of the two pension schemes there is an underlying risk to the Trust which relates primarily to the uncertainty of the future funding requirements of each scheme, the results of which impact on the contribution rates for future employer contributions to each scheme. The governors have given due consideration these risk.

Trustees' report

Plans for future years

The aim is to provide a structure for continuous improvement and achievement at all key stages and the results at Key Stage 3 and 4 demonstrate year on year improvements.

The School was given approval by the DFE to extend its age range from 11 – 16 years to an 11 – 18 years school from September 2013. Construction work on a new 6th Form centre commenced in November 2013 and was completed for opening September 2014.

The School was also awarded Teaching School status in March 2012 and as part of its development has plans to provide management and leadership training, continuous professional development for staff, school to school support, and initial teacher training. Cheadle Hulme High School was accredited as a provider for Initial teacher training in July 2014 and has been allocated 30 places across a range of core subjects for September 2015. These Associate Teachers will help to service the succession planning needs of the Atticus Alliance – a group of 21 educational institutions which Cheadle Hulme High school leads.

Whole School objectives and plans for the year include:

- Academic Aspiration;
- Competition & Physical Endeavour;
- Leadership & Service; and
- Culture & Creativity.

In terms of the site facilities of the School, a capital works programme is being developed to ensure the School is maintained and updated to the highest of standards within funding constraints.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the charitable company receives notice under section 488(1) of the Companies Act 2006.

Insofar as the trustees are aware:

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

Approved by order of the members of the governing body on 12 December 2014 and signed on its behalf by:



Rev C. Nevin
Chairman

Governance statement

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that the 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 only provide reasonable and not absolute assurance against material misstatement or loss.

The board of trustees has delegated the day-to-day responsibility to the Head teacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the academy trust and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

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

Trustee	Meetings Attended	Out of a possible
Charles Nevin	4	4
Pauline Benton	4	4
Anthony Graham	4	4
Len Elias	4	4
Cathy Fisher	2	4

The Funding and Audit Committee is a sub-committee of the main governing body. Its purpose is to advise the board on all strategic financial management related issues. Attendance at meetings in the year was as follows:

Member	Meetings Attended	Out of a possible
Charles Nevin	2	3
Pauline Benton	1	3
Anthony Graham	3	3
Len Elias	3	3
Cathy Fisher	1	3

Governance statement

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 the Academy Trust's 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 the Academy Trust for period 1 September 2013 to 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 period 1 September 2013 to 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.

A Risk Management Policy will be adopted by the board of trustees and a risk register and process of review has been implemented.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and yearly financial reports which are reviewed and agreed by the Funding and Audit Committee who report to the board of trustees;
- regular reviews by the Funding and Audit Committee of reports which indicate financial performance against forecasts, capital expenditure plans and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset and general expenditure purchase) guidelines;
- delegation of authority and segregation of duties; and
- 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 the FD of The Swinton High School Academy Trust to perform peer review. The reviewer's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. Two reports have been provided to the board of trustees on the operation of the systems of control.

Governance statement

Review of Effectiveness

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

- the work of the peer reviewer;
- the work of the external auditor;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.
- the financial management and governance process employed by the Trust.

The Accounting Officer has considered the implications of the results of reviewing the system of internal control and together with the Funding and Audit Committee will address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 12 December 2014 and signed on its behalf by:



Rev C. Nevin

Chair



Mrs L. Magrath

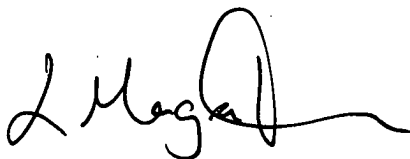
Accounting Officer

Statement on Regularity, Propriety and Compliance

As Accounting Officer of Cheadle Hulme Education Trust, I have considered my responsibility to notify the Academy Trust governing body and the Education Funding Authority 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 governing body are able to identify any material irregularity 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.



Mrs L Magrath
Accounting Officer

12 December 2014

Statement of trustees' responsibilities

The trustees (who are also 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 Requirements 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. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 operations 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 12 December 2014 and signed on its behalf by:



Rev C Nevin
Chair



Mrs L Magrath
Accounting Officer



Independent auditor's report to the members of Cheadle Hulme Education Trust

We have audited the financial statements of Cheadle Hulme Education Trust for the year ended 31 August 2014 which comprise the Statement of Financial Activities (including 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Annual Accounts Direction 2013 to 2014 issued by the Education funding Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and 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 set out on page 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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



Independent auditor's report to the members of Cheadle Hulme Education Trust (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

A handwritten signature in black ink, appearing to read "Fiona Baldwin".

Fiona Baldwin

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester

17 December 2014

Independent reporting auditor's assurance report on Regularity to the trustees of Cheadle Hulme Education Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 11 December 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Cheadle Hulme Education Trust 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 Cheadle Hulme Education Trust and the EFA in accordance with our engagement letter. Our review work has been undertaken so that we might state to Cheadle Hulme Education Trust and the EFA those matters we are required to state to them 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 Cheadle Hulme Education Trust and the EFA, for our review work, for this report, or for the conclusion we have formed.

Respective responsibilities of Cheadle Hulme Education Trust's Accounting Officer and the reporting accountant

The accounting officer is responsible, under the requirements of Cheadle Hulme Education Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 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.

Independent reporting auditor's assurance report on Regularity to the trustees of Cheadle Hulme Education Trust and the Education Funding Agency

Approach (continued)

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

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Academy Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regulatory, propriety and compliance of the case of public funds through observation of the arrangements in place and enquiry of the Accountancy Officer;
- consideration and corroboration of the evidence supporting the Accountancy Officer's statement on regularity, propriety and compliance; and
- detailed testing on a sample basis of income and expenditure for the areas identified as high risk.

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 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Manchester

17 December 2014

Financial statements for the year ended 31 August 2014

Statement of financial activities

(including the income and expenditure account)

	Note	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	2014 Total £'000	2013 Total £'000
Incoming resources						
<i>Income from generated funds</i>						
Voluntary income	2	-	79	-	79	67
Activities for generating funds	3	-	272	-	272	140
Investment income	4	7	-	-	7	7
<i>Income from charitable activities</i>						
Funding for the academy's educational operations	5	-	7,420	5,331	12,751	7,991
Total incoming resources		<u>7</u>	<u>7,771</u>	<u>5,331</u>	<u>13,109</u>	<u>8,205</u>
Resources expended						
<i>Charitable activities</i>						
Academy's educational operations	7	-	(7,722)	(688)	(8,410)	(7,632)
Governance costs	8	-	(31)	-	(31)	(41)
Total resources expended		<u>-</u>	<u>(7,753)</u>	<u>(688)</u>	<u>(8,441)</u>	<u>(7,673)</u>
Net incoming resources before transfers						
(net income for the year)		7	18	4,643	4,668	532
Transfers between funds		-	(89)	89	-	-
Net incoming resources for the year		7	(71)	4,732	4,668	532
Other recognised gains and losses						
Actuarial losses on defined benefit pension schemes	23	-	(383)	-	(383)	32
Net movement in funds		<u>7</u>	<u>(454)</u>	<u>4,732</u>	<u>4,285</u>	<u>564</u>
Reconciliation of funds						
Funds brought forward at 1 September		327	(336)	8,985	8,976	8,412
Funds carried forward at 31 August		<u>334</u>	<u>(790)</u>	<u>13,717</u>	<u>13,261</u>	<u>8,976</u>

All the above results are derived from continuing activities in both 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.

The accompanying notes form part of these financial statements.

Balance sheet at 31 August 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	12	13,717	8,985
Current assets			
Debtors	13	1,071	259
Cash at bank and in hand		655	1,014
		<u>1,726</u>	<u>1,273</u>
Creditors: amounts falling due within one year	14	<u>(1,235)</u>	<u>(821)</u>
Net current assets		<u>491</u>	<u>452</u>
Total assets less current liabilities and net assets excluding pension liability		14,208	9,437
Pension scheme liability	23	<u>(947)</u>	<u>(461)</u>
Net assets including pension liability		<u>13,261</u>	<u>8,976</u>
Funds			
Restricted fixed asset fund	15	13,717	8,985
Restricted general fund	15	157	125
Pension reserve	15	<u>(947)</u>	<u>(461)</u>
Total restricted funds		12,927	8,649
Unrestricted funds	15	<u>334</u>	<u>327</u>
Total funds		<u>13,261</u>	<u>8,976</u>

The financial statements were approved by the Trustees and authorised for issue on 12 December 2014 and signed on their behalf by:



Rev C Nevín

The accompanying notes form part of these financial statements.

Cash flow statement

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	19	(277)	264
Returns on investments and servicing of finance			
Interest received		7	7
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,420)	(943)
Capital grants from DfE/EFA		5,331	836
Net cash out flow from capital expenditure and financial investment		(89)	(107)
(Decrease)/increase in cash	20	<u>(359)</u>	<u>164</u>
Reconciliation of net cash flow to movement in net funds		2014 £'000	2013 £'000
(Decrease)/increase in cash in the year		(359)	164
Net funds at 1 September		1,014	850
Net funds at 31 August	18	<u>655</u>	<u>1,014</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005), the Academies Accounts Direction issued by the EFA and the Companies Act 2006.

The principal accounting policies are set out below.

Going concern

The board of trustees assess whether the use of going concern is appropriate, ie 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 board of trustees make this assessment in respect of a year of at least one year from the date of approval of these financial statements. No such uncertainties have been identified and accordingly have applied the basis of going concern in preparing these 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 year 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 it is included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the statement of financial activities in the year in which it is receivable, where there is certainty of receipt.

Donations

Donations are recognised on a receivable basis, or on an accruals 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 year it is receivable and to the extent the goods have been provided or on completion of the service.

Notes to the financial statements

Incoming resources (continued)

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Academy Trust is recognised as incoming resources at open market value in the year in which they are receivable, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under a 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 its useful economic life in accordance with the Academy Trust's policy.

Resources expended

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

Costs of generating funds

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

Charitable activities

These are costs incurred on the Academy Trust's educational operations.

Governance costs

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

All resources expended are inclusive of irrecoverable VAT.

Notes to the financial statements

Tangible fixed assets

Tangible fixed assets acquired since the trust was established are included in the accounts at cost.

In the case of fixed assets transferred from the predecessor school these are treated as acquired at fair value, calculated by reference to either:

- net book value at date of transfer; or
- in the absence of reliable net book value data, an estimate of fair value calculated by reference to an assumed value of fixed assets as compared to the pupil roll.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

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

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write down the cost of each asset to its estimated residual value on a straight line basis over their expected useful lives. No depreciation is provided on freehold land or assets under construction.

The rates generally applicable are:

Leasehold land and buildings	50 years
Furniture and equipment	10 years
Computers	3 years

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

Leased assets

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

Notes to the financial statements

Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 of Schedule 6 to 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 Taxes 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.

Retirement Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pensions 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.

Teachers' Pension Scheme

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 payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. 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.

Retirement Benefits (continued)

Local Government Pension Scheme

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 high quality corporate bonds 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 as part of staff costs are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the year till vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount. Actuarial gains and losses are recognised immediately in other gains and losses.

Notes to the financial statements

Fund accounting

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

Restricted fixed assets are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and the Department for Education where the asset acquired or created is held for a specific purpose. The fund includes the value of assets transferred on conversion of the school.

Restricted general funds comprise all other restricted funds received and include grants received from the Education Funding Agency and the Department for Education.

Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Cheadle Hulme High School to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the board of trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Cheadle Hulme Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income or other resources expended in the Statement of Financial Activities and analysed under unrestricted funds (cash received), restricted general funds (pension liability) and restricted fixed asset funds (buildings, fixtures and fittings). Further details of the transaction are set out in note 26.

Notes to the financial statements

2 Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2014 Total £'000	2013 Total £'000
Other donations	-	79	79	67
	-	79	79	67

3 Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2014 Total £'000	2013 Total £'000
Catering income	-	272	272	134
Hire of facilities	-	-	-	6
	-	272	272	140

4 Investment income

	Unrestricted funds £'000	Restricted funds £'000	2014 Total £'000	2013 Total £'000
Bank interest receivable	7	-	7	7

5 Funding for the academy's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2014 Total £'000	2013 Total £'000
DfE/EFA grants				
General Annual Grant (note 2)	-	6,762	6,762	6,368
Capital grants	-	5,331	5,331	836
Other Government grants	-	348	348	448
Other DfE/EFA grants	-	310	310	339
	-	12,751	12,751	7,991

Notes to the financial statements

6 Analysis of total resources expended

	Staff costs £'000	Premises costs £'000	Other Costs £'000	2014 Total £'000	2013 Total £'000
Academy's educational operations:					
- direct costs	4,963	687	553	6,203	5,788
- allocated support costs	933	650	624	2,207	1,844
Governance costs including allocated support costs	-	-	31	31	41
	<u>5,896</u>	<u>1,337</u>	<u>1,208</u>	<u>8,441</u>	<u>7,673</u>

Total resources expended include:

	2014 £'000	2013 £'000
Operating lease rentals	10	6
Auditor's remuneration	11	10
Depreciation	<u>688</u>	<u>550</u>

Included within resources expended are the following transactions. Individual transactions exceeding £5,000 are identified separately:

	Total (£)	Individual items above £5,000 Amount £	Reason SEN review/ restructure
Ex gratia/compensation payments	42,278	7,268	SEN review restructure
		7,700	SEN review restructure
		5,062	SEN review restructure
		15,451	Compromise agreement

Notes to the financial statements

7 Charitable activities – academy's educational operations

	2014	2013
	Total	Total
	£'000	£'000
Direct costs		
Teaching and educational support staff costs	4,963	4,743
Depreciation	688	550
Educational supplies	198	186
Examination fees	89	87
Staff development	29	43
Other direct costs	236	179
	<hr/> 6,203	<hr/> 5,788
Allocated support costs		
Support staff costs	933	772
Technology costs	94	67
Recruitment and support	17	10
Maintenance of premises and equipment	258	346
Cleaning	135	130
Rent and rates	18	17
Energy costs	169	184
Insurance	59	51
Security and transport	10	14
Catering	350	214
Other support costs	164	127
	<hr/> 2,207	<hr/> 1,844
	<hr/> 8,410	<hr/> 7,632

Notes to the financial statements

8 Governance costs

	2014 Total £'000	2013 Total £'000
Legal and professional fees	17	28
Auditor's remuneration	11	10
Support staff costs	3	3
Trustees expenses reimbursed	-	-
	<u>31</u>	<u>41</u>

9 Staff costs

Staff costs during the year were as follows:

	2014 £'000	2013 £'000
Wages and salaries	4,716	4,489
Social security costs	374	354
Other pension costs	764	595
	<u>5,854</u>	<u>5,438</u>
Supply teacher costs	-	-
Staff restructuring costs	42	-
	<u>5,896</u>	<u>5,438</u>

The average number of persons employed by the academy during the year, expressed as full time equivalents, was as follows:

	2014 Number	2013 Number
Teachers	81	77
Administration and support	47	42
Management	10	10
	<u>138</u>	<u>129</u>

Notes to the financial statements

Staff costs (continued)

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

	2014 Number	2013 Number
£60,001 to £70,000	3	2
£70,001 to £80,000	3	2
£80,001 to £90,000	-	-
£90,001 to £130,000	1	1

During the year the following pension contributions were paid in respect of the higher paid employees as shown above:

	2014 £'000	2013 £'000
Pension contributions to Teachers Pension Scheme	76	56

During the year seven higher paid employees participated in the Teachers Pension Scheme (2013: five) and no higher paid employees participated in the local Government Pension Scheme (2013: none).

10 Trustees' remuneration and expenses

The trustees/directors did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees/directors.

During the year ended 31 August 2014, travel and subsistence expenses totalling £26 (2013: £39) were reimbursed to one governor.

11 Trustees' and officers' insurance

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on the academy trust's business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2014 was £981.

Notes to the financial statements

12 Tangible fixed assets

	Assets under construction £'000	Leasehold Land & Buildings £'000	Furniture & equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 September 2013	212	9,180	206	221	9,819
Additions	4,079	1,061	6	274	5,420
At 31 August 2014	4,291	10,241	212	495	15,239
Depreciation					
At 1 September 2013	-	676	89	69	834
Provided in the year	-	485	71	132	688
At 31 August 2014	-	1,161	160	201	1,522
Net book value					
At August 2014	4,291	9,080	52	294	13,717
At August 2013	212	8,504	117	152	8,985

The trust has been granted the use of the site that it occupies. This is on the basis of a 125 year lease (at peppercorn rent) or such time that the Trust's funding agreement is terminated, at which point the lease site reverts back to the lessor. The trustees consider that the lease has a fair value of £nil because of the restrictions imposed within it.

Notes to the financial statements

13 Debtors

	2014 £'000	2013 £'000
Trade debtors	40	5
VAT recoverable	394	64
Prepayments and accrued income	637	190
	<u>1,071</u>	<u>259</u>

14 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	97	430
Social security and other taxes	108	-
Accruals and deferred income	1,030	391
	<u>1,235</u>	<u>821</u>

	2014 £'000	2013 £'000
Deferred income		
Deferred income at 1 September	335	38
Resources deferred in the year	47	335
Amounts released from previous years	(335)	(38)
	<u>47</u>	<u>335</u>
Deferred Income at 31 August		

Notes to the financial statements

15 Funds

	Balance at 1 September 2013 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	Other gains & losses £'000	Balance at 31 August 2014 £'000
Restricted general funds						
General Annual Grant	125	6,762	(6,641)	(89)	-	157
Other DfE/EFA grants	-	310	(310)	-	-	-
LEA and other grants	-	132	(132)	-	-	-
Other restricted	-	567	(567)	-	-	-
Pensions reserve	(461)	-	(103)	-	(383)	(947)
	(336)	7,771	(7,753)	(89)	(383)	(790)
Restricted fixed asset funds						
DfE/EFA capital grants	306	5,331	(271)	-	-	5,366
Capital expenditure from GAG	221	-	(11)	89	-	299
Donations on conversion	8,458	-	(406)	-	-	8,052
	8,985	5,331	(688)	89	-	13,717
Total restricted funds	8,649	13,102	(8,441)	-	(383)	12,927
Unrestricted funds	327	7	-	-	-	334
Total funds	8,976	13,109	(8,441)	-	(383)	13,261

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

Restricted general funds

Restricted general funds comprise all other restricted funds received and include grants received from the Education Funding Agency and the Department for Education.

Restricted fixed asset funds

Restricted fixed assets are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and the Department for Education where the asset acquired or created is held for a specific purpose.

Notes to the financial statements

16 Analysis of net assets between funds

Fund balances at 31 August 2014 are represented by:

	Unrestricted funds £'000	Restricted general Funds £'000	Restricted fixed asset funds £'000	Total Funds 2014 £'000	Total Funds 2013 £'000
Tangible fixed assets	-	-	13,717	13,717	8,985
Current assets	334	1,392	-	1,726	1,273
Current liabilities	-	(1,235)	-	(1,235)	(821)
Pension scheme liability	-	(947)	-	(947)	(461)
Total	334	(790)	13,717	13,261	8,976

17 Capital commitments

There are no amounts contracted for, but not provided in the financial statements at 31 August 2014, or at 31 August 2013.

18 Operating lease commitments

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

	2014 £'000	Other 2013 £'000
Expiring within two and five years inclusive	24	1

Notes to the financial statements

19 Reconciliation of net income to net cash inflow from operating activities

	2014 £'000	2013 £'000
Net income	4,668	532
Depreciation	688	549
Capital grants from DfE and other capital income	(5,331)	(836)
Interest receivable	(7)	(7)
FRS 17 pension finance income (note 23)	(16)	(12)
FRS 17 pension costs less contributions payable	119	12
Increase in debtors	(812)	(143)
Increase in creditors	414	169
Net cash inflow from operating activities	(277)	264

20 Analysis of changes in net funds

	At 31 August 2013 £'000	Cash flows £'000	At 31 August 2014 £'000
Cash at bank and in hand	1,014	(359)	655

21 Contingent liabilities

If a capital asset acquired by the academy trust for market value using a capital grant made available to the academy trust by the Department for Education, is disposed of during the currency of the relevant funding agreement between the charitable company and the Secretary of State, the academy trust is required to repay to the Secretary of State the same proportion of the proceeds of the disposal as equates with the proportion of the agreed costs met by the Secretary of State, unless the Secretary of State agrees to all proceeds being retained by the academy trust for its charitable purposes.

22 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

23 Retirement benefits

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Schemes (LGPS) for non-teaching staff, which is managed by the Greater Manchester Pension Fund. Both are defined benefit schemes.

The pension costs are assessed in accordance with the recommendations of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period end 31 March 2004 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme (TPS)

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 Teachers' 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.

Notes to the financial statements

Retirement benefits (continued)

Valuation of the Teachers' Pension Scheme (continued)

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

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

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. 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 have been phased in since April 2012 on a 40:80:100% basis.

Notes to the financial statements

Retirement benefits (continued)

Teachers' Pension Scheme Changes (continued)

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.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £240,000, of which employer's contributions totalled £175,000 and employees' contributions totalled £65,000. The agreed contribution rates for future years are 17.9 per cent for employers and 6.5 per cent for employees.

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

The following information is based upon full actuarial valuations of the funds at 31 August 2014.

The principal actuarial assumptions used by the actuaries were as follows:

	2014	2013
	%	%
Discount rate at 31 August	3.7	4.6
Expected return on plans' assets at 31 August	5.5	5.9
Rate of increase in pensions in payment	2.7	2.8
Rate of increase in salaries	3.8	4.6
Inflation assumption	1.0	1.0

Notes to the financial statements

Retirement benefits (continued)

Local Government Pension Scheme (LGPS) (continued)

The post retirement mortality assumptions used to value the benefit obligation at 31 August 2014 and 31 August 2013 are based on the Fund's VitaCurves with improvement in line with the Medium cohort and a 1% p.a. underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	2014	2014
<i>Retiring today</i>		
Males	21.4	20.1
Females	24.0	22.9
<i>Retiring in 20 years</i>		
Males	24.0	22.5
Females	26.6	25.0

*Figures assume members aged 45 as at the last formal valuation date

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

	Expected return at 31 August 2014 %	Fair value at 31 August 2014 £'000	Expected return at 31 August 2013 %	Fair value at 31 August 2013 £'000
Equities	6.3	1,580	6.6	1,257
Bonds	3.2	401	3.9	314
Property	4.5	134	4.7	105
Cash	3.3	111	3.6	70
Total market value of assets		<u>2,226</u>		<u>1,746</u>
Present value of scheme liabilities				
- funded		(3,173)		(2,207)
Deficit in the scheme		<u>(947)</u>		<u>(461)</u>

The actual return on plan assets during the year was £186,000 (2013 - £223,000).

Notes to the financial statements

Retirement benefits (continued)

Local Government Pension Scheme (LGPS) (continued)

The amounts charged or (credited) in the statement of financial activities in calculating net incoming resources are as follows:

	2014 £'000	2013 £'000
Current service cost (operating charge)	262	196
Interest on obligation	109	80
Expected return on plans' assets	(109)	(68)
Loss on curtailments and settlements	16	-
Pension finance income	16	12

The amounts charged or credited in the statement of financial activities are included in wages and salaries charge.

The amounts recognised in the statement of financial activities after net incoming resources are as follows:

	2014 £'000	2013 £'000
Actuarial (loss)/gain	(383)	32

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative actuarial losses recognised in the statement of financial activities at 31 August 2014 was £278,000 (2013: £105,000).

Changes in the present value of the defined benefit obligation are as follows:

	2014 £'000	2013 £'000
At 1 September	2,207	1,826
Current service cost	262	196
Interest cost	109	80
Actuarial loss	531	52
Losses on curtailments	16	-
Estimated Benefits Paid	(17)	-
Contributions by plan participant	65	53
Closing defined benefit liabilities at 31 August	3,173	2,207

Notes to the financial statements

Retirement benefits (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the fair value of plans' assets are as follows:

	2014 £'000	2013 £'000
At 1 September	1,746	1,333
Expected return	109	68
Actuarial losses	148	155
Estimated benefits paid	(17)	-
Contributions by employer	175	137
Contributions by plan participant	65	53
Closing fair value of plans' assets at 31 August	2,226	1,746

The expected return on plans' assets is based on market expectations for investment returns over the life of the related obligation.

The estimated value of employer contributions for the year ended 31 August 2015 is £176,000.

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

	2014 £'000	2013 £'000	2012 £'000
Present value of defined benefit obligation at 31 August	(3,173)	(2,207)	(1,826)
Fair value of plans' assets at 31 August	2,226	1,746	1,333
Deficit in the schemes	(947)	(461)	(493)
Experience adjustments arising on the plans' assets	148	155	(8)
Experience adjustments arising on the plans' liabilities	(141)	-	-

Notes to the financial statements

25 Related party transactions

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

No transactions material to either the Trust or the related party have been undertaken in the year ended 31 August 2014.

26 Post balance sheet event

The Academy Trust received DFE approval, during summer 2014, to sponsor two schools.