

**Pendle Education Trust**  
(A Company Limited by Guarantee)

Period Financial Statements  
For the Year ended 31 August 2014

THURSDAY



\*A3Z5TFQQ\*

A11

15/01/2015

#399

COMPANIES HOUSE

Companies House registration 08263591

# Contents

	<b>Page</b>
Reference and Administrative Details	3
Trustees' Report	4
Governance Statement	11
Statement on Regularity, Propriety and Compliance	14
Statement of Trustees' Responsibilities	15
Independent Auditor's Report on the Financial Statements	16
Statement of Financial Activities incorporating Income & Expenditure Account	18
Balance Sheet	19
Cash Flow Statement	20
 <b>Notes to the Financial Statements, incorporating:</b>	
Statement of Accounting Policies	21
Other Notes to the Financial Statements	24

## Reference and Administrative Details

### Directors (Members indicated as \*)

Cllr J David\* (Chairman, resigned 15.09.14)  
 Mr. R. Pheasey\* (Chairman from 15.09.14)  
 Mrs. A. Melton\*  
 Ms A. Ghidotti (appointed 01.01.14)  
 Mrs. J. Williams (resigned 15.09.14)  
 Mr. D. Whatley\* (Chairman of Audit Committee)  
 Mr. D Rothwell\* (Member of Audit Committee)  
 Dr. M Ions  
 Mr. J Pope (co-opted)  
 Mr. N. Rashid (co-opted)  
 Mr. A. Saeed (co-opted)  
 Mrs. V Burtenshaw (resigned 18.12.13)  
 Ms J Scott (appointed 15.09.14)  
 Mr. W Yasin (appointed 15.09.14)  
 Mr. D Roberts (appointed 15.09.14)

### Senior Management Team:

J. Walsh – Principal, Central Pendle Academy  
 (resigned 31.01.14)  
 J. Burnside – Principal, Pendle Primary Academy  
 A. Ghidotti – Director of Operations to 31.12.13, Chief  
 Executive from 01.01.14  
 A. Melton - Chief Executive to 31.12.14

### Principal and Registered Office

Nelson and Colne College  
 Scotland Road  
 Nelson  
 Lancashire  
 BB9 7YT

### Company Registration Number

08263591 (England and Wales)

### Independent Auditor

Baker Tilly UK Audit LLP  
 Chartered Accountants  
 Bluebell House  
 Brian Johnson Way  
 Preston  
 PR2 5PE

### Bankers

Lloyds TSB  
 Manchester Road  
 Burnley  
 BB11 1HT

### Solicitors

Browne Jacobson LLP  
 Mowbray House  
 Castle Meadow Road  
 Nottingham  
 NG2 1BJ

## Trustees' Report

The trustees present their annual report together with the financial statements and auditor's reports of the Pendle Education Trust for the year to 31 August 2014.

## Structure, Governance and Management

### Constitution

The Pendle Education Trust is a company limited by guarantee and an exempt charity. The Trust was incorporated on 22 October 2012 and commenced trading on 1 January 2013. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The trustees of the Trust are also the trustees of the charitable company for the purposes of company law. The charitable company is legally known as Pendle Education Trust and its operating subsidiaries as Colne Primet Academy and Pendle Primary Academy.

Details of the trustees who served during the period 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 charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before they ceased to be a member.

### Trustees' Indemnities

Subject to the provisions of the Companies Act 2006, every Governor or other officer or auditor of the Academy shall be indemnified out of the assets of the Academy against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy.

In the year to 31 August 2014 members or trustees did not enter into any qualifying third party indemnity provisions.

### Purpose of the Academy Trust

The Trust has entered into a funding agreement with the Education Funding Agency, which provides the framework within which the Trust and its subsidiaries must operate. The principal object of the Trust is to advance, for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad curriculum.

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

All Trustees and Governors have access to training as required, including Local Governing Body training provided by Lancashire County Council.

### Organisational Structure

As a charity and company limited by guarantee, Pendle Education Trust is governed by a Board of Trustees who are responsible for, and oversee, the management and administration of the Company and the academies run by the Company. The number of Trustees has been determined as not less than three, but not subject to any maximum, unless determined by ordinary resolution.

The current constitution of the Board is determined as follows:

- The Principal of Nelson and Colne College (representing the College as the Trust's sponsor),
- Up to eight Trustees nominated by Nelson and Colne College and appointed under Article 50
- Up to three Academy Trustees
- Any Parent Trustees (if appointed under Articles 53-56 of the governing document)
- Any Additional Trustees (if appointed under Articles 61 or 61A)
- Any Further Trustees (if appointed under Article 62)

- Any Co-opted Director (if appointed under Article 58)

Trustees serve a term of office of four years.

The Board of Trustees has appointed a Local Governing Body (LGB) for each academy, which have delegated powers to oversee the day to day running of the schools.

The LGBs are constituted as follows:

- Seven Foundation governors
- Two Staff
- Two Parents
- The Principal

Governors serve a term of office of four years.

All Trustees and Governors have access to training as required, including Local Governing Body Training provided by Lancashire County Council.

Management's responsibilities are governed by a detailed scheme of delegation, which specifies those decisions that are reserved to the Board of Trustees and those delegated to the local Governing Body or to Senior Management.

The Chief Executive is the accounting officer of the trust.

### **Risk Management**

The Board of Trustees, acknowledging that the Trust is in transition, is in the process of developing a comprehensive risk management framework to be used in all member schools.

The most significant risks that have been identified to date are:

- Falling pupil rolls at Colne Primet Academy. The impact of this on the main grant allocation will reduce the Academy's income and require significant cost savings to be made. This issue is being addressed strategically by the Board, which will consider detailed options in the coming months.
- A result from the Ofsted inspection in 2014-15 judging Colne Primet Academy to be less than Grade 2.

### **Connected Organisations including Related Party Relationships**

Nelson and Colne College is the principal sponsor of the Trust. In addition, the Trust purchased services from Lancashire County Council, in the normal course of business.

## **Objectives and Activities**

### **Objects**

The principal object and activity of the charitable company for the period to which these financial statements relate is specifically restricted to the following:

- (a) 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 schools offering a broad and balanced curriculum ("the Academy") and
- (b) to promote for the benefit of individuals living in the United Kingdom and the surrounding area who have need by reason of their age, infirmity or disability, financial hardship or social and economic circumstances or for the public at large the provision of facilities for recreation or other leisure time activities in the interests of social welfare and with the object of improving the condition of life of the said individuals.

In accordance with the Funding Agreement made under section 482 of the Education Act 1996, as substituted by the Education Act 2002, between the Secretary of State for Children, Schools and Families and the Trust, the Academies are each governed by a Local Governing Body which exercises its powers and functions with a view to fulfilling a largely strategic role in the running of the school. The Funding Agreement specifies the admission arrangements, amongst other things, and that the curriculum, in substance, complies with statutory requirements.

## **Aims and Mission**

Nelson and Colne College established Pendle Education Trust in response to a request from the DfE to support Walter Street Primary School, Brierfield; a school in special measures which had failed to improve. This fully sponsored Academy conversion took place in 2013 and the school is now called Pendle Primary Academy.

Shortly after, the College was approached by Colne Primet High School to become its sponsor, with an aim of helping the school identify a new vision and purpose; and to benefit from the support of the College. As such, the school converted to Colne Primet Academy with a new mission and values.

Both Academies are in Pendle and have a combined capacity of 1416 and a roll of 749 at October 2014.

## **Sponsor**

As Sponsor, Nelson and Colne College, an OFSTED Outstanding institution, has much to offer to drive the need to improve attainment and achievement levels in local schools. The College has a simple belief; that its excellent performance and high expectations can be applied to the schools locally through effective and uncompromising leadership, management and governance. The College keenly understands the factors affecting educational success for young people locally, and for this reason felt that local sponsorship was the ideal solution for the schools which surround us.

## **Mission**

The Trust has the single aim of raising educational aspiration and attainment in East Lancashire, to guarantee local children the very best start, leading to a successful future career.

## **Vision**

Children who achieve their academic potential and have the personal attributes, knowledge and ambition to gain a successful career.

## **Values**

- Shining Example
- Stronger Together
- Healthy Ambition
- Career Driven

## **Public Benefit**

The principal objective of the Academy Trust is to advance for the public benefit, education by establishing, maintaining, operating and developing schools including but not limited to academies offering a broad curriculum with a strong emphasis on the specialisms specified in the relevant Funding Agreements. In setting the Trust's objectives and planning its activities, the trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

Each Academy's admissions policy is included in its Funding Agreement and applications for places at the Academies are made in accordance with the relevant local authority's coordinated admission arrangements.

The Academy Trust aims to work with others to create a healthy, safe environment within which all of its pupils can enjoy learning, make progress and achieve high standards. Each pupil is encouraged to participate fully and make a positive contribution to their academy and the wider community; and ultimately become successful, motivated, well-adjusted adults who achieve economic well-being.

## Strategic Report

### Achievements and Performance

#### Pendle Primary Academy

This primary school is located in Brierfield and has 406 children enrolled in 2014. It is a popular and vibrant school that has undergone a rapid change and improvement programme since Julie Burnside, Headteacher, arrived in June 2013. The children's progress has improved significantly during this time and is now broadly aligned with national benchmarks from a position well below only a year previously. Progress has been outstanding for two consecutive years and data for Pupil Premium pupils matches or surpasses that of those not attracting this funding.

The school has a bright new brand and has secured funding for a number of projects including an outdoor amphitheatre, improved Early Years outdoor provision, Key Stage One toilets and an extended dining room to facilitate implementation of Free School Meals for all under 8s.

The improvement of attainment and achievement was, and will continue to be, the key focus in both Academies.

In Pendle Primary Academy the key aim was to rapidly improve teaching and learning and establish a culture of high expectations for progress and achievement.

Reading	Y1	Y2	Y3	Y4	Y5	Y6
PPA	9.8	14	18.2	22.3	23.1	28.2
National	12	15	18	21	24	27
Writing						
PPA	9.8	13.2	16.3	19.2	21.3	26.6
National	12	15	18	21	24	27
Maths						
PPA	9.8	14.7	17.3	21.2	22.9	27.7
National	12	15	18	21	24	27

#### Colne Primet Academy

This school is a secondary education provider located in Colne. The school has experienced transformational change across all areas since the new leadership team was appointed in February 2014, with Lynne Blomley as Headteacher. The Academy is small with 343 children on roll, and the key priority is to significantly raise attainment levels which were below national averages in 2014.

The school was delighted to secure £717,000 in capital funding for new sports facilities. The works will be complete in December and will benefit every child at the school. Other areas of the learning environment are also under development to enhance the learning experience of the students and promote the vision of health and wellbeing, as well as involve the students in shaping their learning environment and develop their independence.

The students have recently improved the outside areas, growing healthy food on the premises which is then used for meals at lunchtimes and is part of the growing enterprise culture and an increased awareness of serving the local community.

Again the improvement of attainment and achievement was, the key focus for the Academy. In Colne Primet Academy there were two short-term key aims for the remainder of the academic year:-

- To ensure that KS4 performance outcomes for 2014 were in line with targets and improve assessment and tracking procedures to raise achievement and progress for all students.

- To undertake a review of the academy's provision, reputation, policies and financial viability in order to identify the key areas for development and improvement in particular with reference to increasing student numbers.

### 2014 Results Summary:

- Headline figure – 34% 5A\*-C including English and Maths
- GCSE English grades 51%
- GCSE Maths grades 48%

### 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

In the year to 31 August 2014 the Trust achieved an operating surplus of £263,000, before exceptional items and excluding actuarial adjustments made in respect of the Trust's FRS17 commitments. The operating result for the general and unrestricted funds was £81,000

The key financial indicators for the period were;

- Operating position as a percentage of income **-4.9%** (general and unrestricted funds **1.6%**)
- Current ratio at 31 August 2014 **-4.21%**
- Net assets excluding pension liability at 31 August 2014 - **£6,588,000**

The assets of the Trust are separated into restricted and unrestricted funds as follows:

<b>Fund</b>	<b>Permitted Use</b>	<b>Assets £000</b>
Unrestricted	May be used for any activity in accordance with the objects of the Trust.	285
Restricted General Fund	Must be used for the normal running costs of the Trust in line with the Master Funding Agreement and restrictions from other sources of funding	258
Restricted Fixed Asset Fund	Used solely for capital purposes in line with the strategic objectives of the Trust.	6,041
School Fund	Generally used to administer income and costs relating to educational visits and may only be used in relation to those visits. Any surpluses arising from individual events may be used to support the cost of future events or to provide grants to enable individual pupils to attend visits, at the Principal's discretion.	4
Pension Fund	Relates only to Trust's actuarially determined, long term commitments to the Local Government Pension Scheme	(1,034)
		<b>5,554</b>



Total income for the period was £5,327,000, of which £4,723,000 was from recurrent grants from the Education Funding Agency (EFA), £58,000 other revenue grants from the EFA and £374,000 capital grants.

Miscellaneous other income was £171,000.

Total operating expenditure, including exceptional costs was £5,166,000. The primary objective of the Trust is education of its academies' pupils and the expenditure supported this objective as follows:

- £3,456,000 (67%) on direct costs, including teaching, educational support staff and educational supplies and materials,
- £1,446,000 (28%) on support costs in the academies, including premises costs and administration,
- £131,000 (3%) on central Trust overhead costs, including insurance, Trust establishment costs, professional support and governance.
- £103,000 (2%) on exceptional restructuring costs

### **Plans for Future Periods**

Despite the healthy result achieved in this financial year, the organisation faces some significant financial risks in the next two to three years, primarily as a result of falling pupil rolls at Colne Primet Academy. Pupil numbers at the academy have fallen from 445 in September 2013 to 343 in September 2014. Under current funding rules this is estimated to lead to a reduction in income of up to 23% between the 2013-2014 and 2015-2016 academic years. Savings have been identified to secure a balanced budget for 2014-2015. At the time of signing these accounts the Trust Board is considering strategic options for responding to the longer term position.

### **Reserves Policy**

The Academy Trust Board reviews the level of reserves annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. It is the trustees' policy to build up unrestricted reserves which can be used for future education purposes in line with each academy's development plan. The trustees will ensure that the reserves policy continues to conform to the requirements laid down in the Academies' Financial Handbook produced by the DfE.

Having taken account of the risks to which the Trust is exposed, the trustees consider the current level of reserves to be appropriate. Unrestricted and Restricted General Reserves at the end of the period amounted to £543,000, of which £279,000 are unspent reserves carried forward from Lancashire County Council.

Under Accounting Standard FRS17, it is necessary to charge projected pension scheme deficits to the Restricted General Fund for those pension schemes where the assets and liabilities of the scheme can be separately identified. This has resulted in a reduction in restricted reserves of £1,034,000. It should be noted that this is a potential liability which has not crystallised and has no immediate impact on the Academy Trust's liquidity.

### **Investments Policy**

The trustees have authorised the use of short term deposit accounts and notice deposit accounts in respect of cash held which is surplus to immediate requirements.

## Auditor

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 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.

Baker Tilly Audit Limited ceased trading on 31 March 2014. The governors, having been notified of the cessation of trade of Baker Tilly Audit Limited appointed Baker Tilly UK Audit LLP as auditor on 1 April 2014 to fill the casual vacancy. Baker Tilly UK Audit LLP are willing to continue in office and a resolution to appoint them will be proposed at the Annual General meeting.

Trustees report, incorporating a strategic report, approved by the order of the board of trustees as the company directors, on **9 December 2014** and signed on the board's behalf by:



**Rob Pheasey**

Chair of Board of Trustees

# Governance Statement

## Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that Pendle Education 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 Chief Executive, 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 Pendle Education Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

## Governance

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

	13/10/14	15/09/14	24/06/14	17/06/14	22/04/14	18/03/14	25/02/14	29/02/14	17/01/14	25/11/13	04/11/13
	Board	Board	Board	Resources	Resources	Resources	Resources	Board	Resources	Audit	Board
Cllr J David	RES	RES	A	A	A	✓	✓		✓		✓
Mr R Pheasey	✓	✓	✓	✓	✓	A	✓	A	✓		✓
Mrs J Williams	RES	RES	NBM	NBM	NBM	NBM	NBM	NBM	NBM		
Mrs A Melton	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Mr D Whatley	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓
Mr D Rothwell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr M Ions	✓	✓	✓	✓	✓	✓	✓	A	✓		
Ms A Ghidotti	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Mr J Pope (Co-opted)										✓	
Mr N Rashid (Co-opted)										✓	
Mr A Saeed (Co-opted)										A	
Mrs V Burtenshaw (Co-opted)										A	

Key	Present - ✓	Apologies for absence received – A	No Apologies – NA	Not a Board Member - NBM	Resigned – RES
-----	-------------	------------------------------------	-------------------	--------------------------	----------------

An audit committee was established in the previous financial period as a sub-committee of the main board of trustees. Its responsibilities included:

- Advising the Trust Board on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money);
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006, applicable accounting standards, the current Charities Statement of Recommended Practice and the Education Funding Agency guidance issued to academies;
- Reviewing the reports of the Responsible Officer on the effectiveness of the financial

procedures and controls. These reports must also be reported to the full governing body.

One meeting was held in the 12 months to 31<sup>st</sup> of August 2014 with attendance as set out in the table above. In January 2014, the Board agreed that the Resources Committee would absorb the responsibilities of the Audit Committee.

Mr. J David resigned as chairman of the Board in September 2014. Mr R Pheasey was elected chairman in his place.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Pendle Education Trust for the period 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 on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period 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.

### **The Risk and Control Framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Board 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 it has appointed Baker Tilly UK Audit LLP, the external auditor, to perform additional checks.

The reviewer's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In this past financial year the auditor undertook an initial financial systems check in each academy, which covered the following areas:

- Payroll;
- Purchasing and expenses;
- Income;
- The Accounting System;
- Fixed Assets; and
- The School Fund.

The auditors were able to confirm that a sound framework of financial control is in place in each academy. An action plan addressing the auditor's recommendations to further improve those controls has been approved by the audit committee.

## Review of Effectiveness

As accounting officer the chief executive has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the financial systems check;
- 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 audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on **9 December 2014** and signed on its behalf by:



**Rob Pheasey**

Chair of Trustees



**Anita Ghidotti**

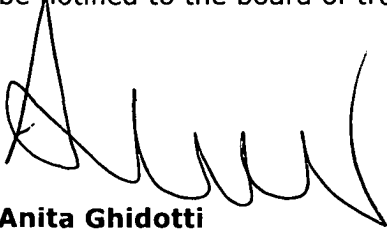
Accounting Officer

## Statement on Regularity, Propriety and Compliance

As accounting officer of Pendle Education 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 EFA

A handwritten signature in black ink, appearing to read 'Anita Ghidotti', with a stylized, cursive script.

**Anita Ghidotti**  
Accounting Officer

## Statement of Trustees' Responsibilities

The trustees (who act as governors of Pendle Education Trust Limited and are also the trustees 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on **9 December 2014** and signed on its behalf by:



**Rob Pheasey**  
Chair of Trustees

## **Independent Auditor's Report on the Financial Statements to the Governing Body of Pendle Education Trust**

We have audited the financial statements of Pendle Education Trust for the year ended 31 August 2014 on pages 18 to 39. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2014 issued by the Education Funding Agency.

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

### **Respective responsibilities of governors and auditor**

As explained more fully in the Statement of Governors' Responsibilities, the governors (who act as trustees for the charitable activities of the charitable company, and are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

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

In our opinion the information given in the Governors' 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:

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

Karen Musgrave (Senior Statutory Auditor)  
For and on behalf of

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP, Statutory Auditor  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

Date: 16/12/14.

# Statement of Financial Activities for the Year ended 31 August 2014 (including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £000	Restrict ed General Funds £000	Restricted Fixed Asset Funds £000	Total £000	1 January - 31 August 2013 £000
<b>Incoming Resources</b>						
<b>Incoming resources from generated funds</b>						
Voluntary Income	2	6	0	0	6	6
Activities for Generating Funds	3	116	48	0	164	101
Investment Income	4	2	0	0	2	0
<b>Incoming resources from charitable activities:</b>						
Funding for the academy trust's educational operations	5	0	4,781	374	5,155	3,206
Transfer from Local Authority on Conversion		0	0	0	0	6,143
<b>Total incoming resources</b>		<b>124</b>	<b>4,829</b>	<b>374</b>	<b>5,327</b>	<b>9,456</b>
<b>Resources expended</b>						
<b>Charitable activities:</b>						
Academy trust educational operations	7	166	4,642	226	5,034	3,026
Governance costs	8	0	29	0	29	44
Exceptional Costs (Redundancy payments)	7	0	103	0	103	103
<b>Total resources expended</b>		<b>166</b>	<b>4,774</b>	<b>226</b>	<b>5,166</b>	<b>3,173</b>
<b>Net incoming resources before transfers</b>		<b>(42)</b>	<b>55</b>	<b>148</b>	<b>161</b>	<b>6,283</b>
Gross transfers between funds		98	(115)	17	0	0
<b>Net income/(expenditure) for the year</b>		<b>56</b>	<b>(60)</b>	<b>165</b>	<b>161</b>	<b>6,283</b>
<b>Other recognised gains and losses</b>						
Transfer from local Authority on conversion		0	0	0	0	(1,670)
Actuarial (losses) gains on defined benefit pension schemes	23	0	690	0	690	90
<b>Net movement in funds</b>		<b>56</b>	<b>630</b>	<b>165</b>	<b>851</b>	<b>4,703</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 September 2013	15	230	(1,402)	5,876	4,703	0
<b>Total funds carried forward at 31 August 2014</b>	<b>15</b>	<b>286</b>	<b>(773)</b>	<b>6,041</b>	<b>5,554</b>	<b>4,703</b>

All of the academy's activities derive from continuing operations during the current financial period.

**Balance Sheet as at 31 August 2014**

	Notes	2014	2014	2013	2013
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	12		5,764		5,795
<b>Current assets</b>					
Debtors	13	138		171	
Cash at bank and in hand		944		906	
		<u>1,082</u>		<u>1,077</u>	
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	14	(257)		(532)	
<b>Net current assets</b>			<u>825</u>		<u>545</u>
<b>Total assets less current liabilities</b>			6,589		6,340
Pension scheme liability	23		(1,033)		(1,637)
<b>Net assets including pension liability</b>			<u>5,554</u>		<u>4,703</u>
<b>Funds of the academy trust:</b>					
<b>Restricted income funds</b>					
Fixed asset fund	15	6,041		5,876	
General fund	15	258		230	
School Funds	15	4		4	
Pension reserve	15	(1,034)		(1,637)	
<b>Total restricted funds</b>			5,269		4,473
<b>Unrestricted income funds</b>					
General fund	15	<u>285</u>		<u>230</u>	
<b>Total unrestricted funds</b>			285		230
<b>Total Funds</b>	15		<u>5,554</u>		<u>4,703</u>

The financial statements on pages **18 to 39** were approved by the trustees, and authorised for issue on **9 December 2014** and are signed on their behalf by:



**Rob Pheasey**  
Chair



**Anita Ghidotti**  
Accounting Officer

Company No' 08263591

**Cash Flow Statement for the Year to 31 August 2014**

	Notes	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>Net cash inflow from operating activities</b>	<i>18</i>	(224)	602
Cash transferred on conversion	<i>5</i>	0	339
Investment Income	<i>19</i>	2	0
Capital expenditure	<i>20</i>	260	(35)
<b>Increase in cash in the year</b>	<i>21</i>	<u>38</u>	<u>906</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 31 August 2013		<u>906</u>	0
<b>Net funds at 31 August 2014</b>		<u>944</u>	<u>906</u>

## Notes to the Financial Statements for the Year to 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 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 period 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 and it is measurable.

##### ▪ 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 accounting policies.

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

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

#### Resources Expended

All 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 trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

#### Tangible Fixed Assets

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

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

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

▪ Long leasehold buildings	<b>50 Years</b>
▪ Furniture and equipment	<b>7 Years</b>
▪ Computer equipment	<b>3 Years</b>

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 on a straight line basis over the lease term.

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

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

#### **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 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 23, 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.

#### **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 or other funder where the asset acquired or created is held for a specific purpose.

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

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

## 2 Voluntary Income

	Unrestricted funds	Restricted Funds	Restricted Fixed Asset Funds	Total	1 January - 31 August 2013
	£'000	£'000	£'000	£'000	£'000
Other donations	6	0	0	6	6
	<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>

## 3 Activities for Generating Funds

	Unrestricted funds	Restricted Funds	Restricted Fixed Asset Funds	Total	1 January - 31 August 2013
	£'000	£'000	£'000	£'000	£'000
Hire of facilities	4	0	0	4	3
Catering income	68	0	0	68	32
Other	44	48	0	92	66
	<u>116</u>	<u>48</u>	<u>0</u>	<u>164</u>	<u>101</u>

## 4 Investment Income

	Unrestricted funds	Restricted Funds	Restricted Fixed Asset Funds	Total	1 January - 31 August 2013
	£'000	£'000	£'000	£'000	£'000
Short Term Deposits	2	0	0	2	0
	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>

## 5 Funding for the Academy Trust's Educational Operations

	Unrestricted funds	Restricted Funds	Restricted Fixed Asset Funds	Total	1 January - 31 August 2013
	£'000	£'000	£'000	£'000	£'000
General Annual Grant (GAG)	0	4,723	0	4,723	2,870
Start Up Grants	0	23	0	23	122
Capital Grants	0	0	374	374	21
Other DfE/EFA grants	0	25	0	25	128
	<u>0</u>	<u>4,771</u>	<u>374</u>	<u>5,145</u>	<u>3,141</u>
<b>Other Government grants</b>					
Local authority grants	0	10	0	10	65
	<u>0</u>	<u>10</u>	<u>0</u>	<u>10</u>	<u>65</u>
<b>Total</b>	<u>0</u>	<u>4,781</u>	<u>374</u>	<u>5,155</u>	<u>3,206</u>



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

## 6 Resources Expended

	Staff Costs	Non Pay Expenditure		Total	Total
		Premises	Other Costs	2014	2013
	£000	£000	£000	£000	£000
<b>Academies Educational Operations</b>					
Direct costs	3,024	0	432	3,456	2,123
Allocated Support Costs	602	301	674	1,577	903
Exceptional Costs	103	0	0	103	103
	<b>3,729</b>	<b>301</b>	<b>1,106</b>	<b>5,136</b>	<b>3,129</b>
Governance costs including allocated support costs	0	0	29	29	44
	<b>3,729</b>	<b>301</b>	<b>1,135</b>	<b>5,166</b>	<b>3,173</b>

### Incoming/outgoing resources for the period include:

	£000	£000
Operating Leases	0	8
	<b>0</b>	<b>8</b>

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

## 7 Charitable Activities - Academy's Educational Operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
<b>Direct costs</b>				
Teaching and educational support staff costs	0	3,024	3,024	1,934
Depreciation	0	9	9	0
Technology costs	0	58	58	24
Educational supplies	0	66	66	76
Examination fees	0	33	33	30
Staff development	0	43	43	9
Educational consultancy	0	0	0	6
Other direct costs	0	223	223	44
	<b>0</b>	<b>3,456</b>	<b>3,456</b>	<b>2,123</b>
<b>Allocated support costs</b>				
Support Staff Costs	55	547	602	367
Depreciation	0	136	136	65
Technology Costs	0	9	9	2
Recruitment and Support	0	6	6	4
Maintenance of premises and equipment	0	197	197	80
Cleaning	0	8	8	4
Rent & rates	0	22	22	23
Energy costs	0	75	75	56
Insurance	0	40	40	31
Catering	111	0	111	53
Other support costs	0	371	371	218
	<b>166</b>	<b>1,411</b>	<b>1,577</b>	<b>903</b>
<b>Exceptional Costs</b>				
Redundancy Payments	0	103	103	103
	<b>0</b>	<b>103</b>	<b>103</b>	<b>103</b>
	<b>166</b>	<b>4,970</b>	<b>5,136</b>	<b>3,129</b>

## 8 Governance Costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
Legal and professional fees	0	12	12	35
Auditor's remuneration	0			
. Audit of financial statements	0	10	10	8
. Other audit costs	0	7	7	1
	<b>0</b>	<b>29</b>	<b>29</b>	<b>44</b>

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

### 9 Staff Costs

Staff costs during the period were:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	2,916	1,845
Social security costs	203	131
Pension costs	407	290
	<b>3,526</b>	<b>2,266</b>
Supply teacher costs	100	35
Redundancy Costs	103	103
	<b>3,729</b>	<b>2,404</b>

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

	<b>FTE</b>	<b>FTE</b>
Teachers	44	42
Administration and Support	53	60
Management	5	7
	<b>102</b>	<b>109</b>

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

	<b>2014</b>	<b>2013</b>
£70,001 - £80,000 (from 1 July 2013)	1	1
£80,001 - £90,000 (to 31 January 2014)	1	1

Both the above employees participated in the Teachers' Pension Scheme. During the year to 31 August 2014, pension contributions for these staff amounted to £15,921 (2013: £10,300).

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

### 10 Related Party Transactions - Trustees' remuneration and expenses

No members of staff served as Board Members in the year to 31 August 2014. The non staff trustees did not receive any payments or expenses from the academy trust in respect of their role as trustees. Other related party transactions involving the trustees are set out in Note 24.

### 11 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 period ended 31 August 2014 was **£1,060**

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

### 12 Tangible Fixed Assets

	Long Leasehold Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Total Total £000
<b>Cost</b>				
At 1 September 2013	5,758	44	58	<b>5,860</b>
Transferred at conversion	0	0	0	<b>0</b>
Additions	80	0	34	<b>114</b>
Disposals	0	0	0	<b>0</b>
At 31 August 2014	<b>5,838</b>	<b>44</b>	<b>92</b>	<b>5,974</b>
<b>Depreciation</b>				
At 1 September 2013	57	4	3	<b>64</b>
Charged in year	115	7	24	<b>146</b>
At 31 August 2014	<b>172</b>	<b>11</b>	<b>27</b>	<b>210</b>
<b>Net Book Values</b>				
At 31 August 2014	<b>5,666</b>	<b>33</b>	<b>65</b>	<b>5,764</b>
At 31 August 2013	<b>5,699</b>	<b>41</b>	<b>55</b>	<b>5,795</b>

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

### 13 Debtors

	<b>Total 2014 £'000</b>	<b>Total 2013 £'000</b>
VAT recoverable	45	63
Prepayments and accrued income	93	108
	<b><u>138</u></b>	<b><u>171</u></b>

### 14 Creditors

	<b>Total 2014 £'000</b>	<b>Total 2013 £'000</b>
Taxation and social security	126	172
Other creditors	73	58
Accruals	58	184
Deferred Income	0	118
	<b><u>257</u></b>	<b><u>532</u></b>

### Deferred Income

	<b>Total 2014 £'000</b>	<b>Total 2013 £'000</b>
Deferred Income at 1 September 2013	118	0
Resources Deferred in the year	0	118
Amounts Released from previous years	(118)	0
Deferred Income at 31 August 2014	<b><u>0</u></b>	<b><u>118</u></b>

£115K of the deferred income total was a claw-back of General Annual Grant notified by the Education Funding Agency, following a rebasing exercise of the allocation for the period with the most recent pupil number census. This was repaid during 2013-2014. The balance of £3K was pupil premium believed to have been received from the EFA in error and has been released into the SOFA.

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

## 15 Funds

	Balance at 1 September 2013	Incoming Resources	Resources Expended	Gains, Losses and Transfers	Balance at 31 August 2014
	£000	£000	£000	£000	£000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	230	4,829	(4,687)	(115)	258
School Fund	4	-	-	-	4
Pension reserve	(1,637)	690	(87)		(1,034)
	<b>(1,403)</b>	<b>5,519</b>	<b>(4,774)</b>	<b>(115)</b>	<b>(772)</b>
<b>Restricted fixed asset funds</b>					
Assets transferred on conversion	5,800	-	(146)	-	5,654
DfE/EFA capital grants	21	374	(80)	17	332
Transfer from Unrestricted Fund	55	-	-	-	55
	<b>5,876</b>	<b>374</b>	<b>(226)</b>	<b>17</b>	<b>6,041</b>
<b>Total restricted funds</b>	<b>4,473</b>	<b>5,893</b>	<b>(5,000)</b>	<b>(98)</b>	<b>5,269</b>
<b>Unrestricted funds</b>					
Unrestricted funds	230	124	(166)	98	285
<b>Total unrestricted funds</b>	<b>230</b>	<b>124</b>	<b>(166)</b>	<b>98</b>	<b>285</b>
<b>Total funds</b>	<b>4,703</b>	<b>6,017</b>	<b>(5,166)</b>	<b>0</b>	<b>5,554</b>

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

1. Restricted General Funds must be used for the normal running costs of the Trust in line with the Master Funding Agreement and restrictions from other sources of funding.
2. School Funds are generally used to administer income and costs relating to educational visits and may only be used in relation to those visits. Any surpluses arising from individual events may be used to support the cost of future events or to provide grants to enable individual pupils to attend visits, at the Principal's discretion.
3. Restricted fixed asset funds are used solely for capital purposes in line with the strategic objectives of the Trust.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

Transfers between funds were:

- £98,000 from the General Annual Grant fund to the unrestricted fund, to cover the cost of catering in excess of monies received from staff and pupils,
- £17,000 from the General Annual Grant fund to the fixed asset fund in respect of depreciation costs on IT assets originally purchased with GAG funds.

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

### 15 Funds (continued)

#### Analysis of net assets between funds

Fund balances at 31 August 2014 are represented by:

	<b>Unrestricted Funds</b>	<b>Restricted General Funds</b>	<b>Restricted Fixed Asset Funds</b>	<b>Balance at 31 August 2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tangible Fixed Assets	0	0	5,763	<b>5,763</b>
Current Assets	285	797	0	<b>1,082</b>
Current Liabilities	0	(257)	0	<b>(257)</b>
Creditors due after one year	0	0	0	<b>0</b>
Pension Scheme Liability	0	(1,033)	0	<b>(1,034)</b>
	<u>285</u>	<u>(493)</u>	<u>5,763</u>	

### 16 Capital Commitments

	<b>2014 £000</b>
Contracted but not provided for in the financial statements	<u>717</u>
	<b><u>717</u></b>

### 17 Financial Commitments

At 31 August 2014 the Trust had no uncancellable operating leases

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

## 18 Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2014 £'000	2013 £'000
Net income	161	6,283
Amounts transferred on conversion (Note 5)	0	(6,143)
Depreciation (note 12)	146	65
Capital Grants from DfE and other capital income	(374)	(21)
FRS 17 pension cost less contributions payable (note 23)	19	17
FRS 17 pension finance income (note 23)	68	40
(Increase)/decrease in debtors	33	(171)
Increase/(decrease) in creditors	(277)	532
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(224)</b>	<b>602</b>

## 19 Return on Investments and Servicing of Finance

	2014 £'000	2013 £'000
Investment Income	2	0
<b>Net cash inflow from returns on investment</b>	<b>2</b>	<b>0</b>

## 20 Capital Expenditure and Financial Investment

	2014 £'000	2013 £'000
Capital Expenditure	(114)	(56)
Capital Grants from DfE	374	21
<b>Net cash inflow /(outflow) from capital expenditure and financial investment</b>	<b>260</b>	<b>(35)</b>



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

### 21 Analysis of changes to net funds

	At 1 September 2013 £'000	Cash Flows £'000	At 31 August 2014 £'000
Cash in hand at at bank	906	38	944

### 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.

### 23 Pension and Similar Obligations

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 Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2010.

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

#### Teachers' Pension Scheme

##### Introduction

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

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

##### Valuation of the Teachers' Pension Scheme

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

suspended.

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

### **22 Pension and similar obligations (continued)**

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

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently 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 is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

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

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

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

HM Treasury has published the final Directions and the expected outcome of the TPS valuation is a total contribution rate of 26%. The new TPS employer rate will be 16.4% from September 2015. The rate is subject to confirmation following the scheme actuaries valuation report is finalised, and will be payable until the next the next valuation. The Public Service Pensions Act 2013 provides the legal framework for full actuarial valuations to be carried out every 4 years.

The pension costs paid to TPS in the year amounted to £430,016 (2013: £279,721).

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

the underlying assets and liabilities of the scheme.

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

### **22 Pension and similar obligations (continued)**

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

#### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £212,000, of which employer's contributions totaled £160,000 and employees' contributions totaled £52,000. The agreed contribution rates for future years are 19.1% per cent for employers and between 5.5% and 7.5% per cent for employees, depending on salary band.

<b>Principal Actuarial Assumptions</b>	<b>2014</b>	<b>2013</b>
Rate of increase in salaries	3.7%	4.4%
Rate of increase for pensions in payment	2.2%	2.4%
Discount rate for scheme liabilities	4.0%	4.6%
Inflation assumption (CPI)	2.2%	2.4%

An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation.

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

	<b>2014</b>	<b>2013</b>
Retiring today		
Males	22.8	22.1
Females	25.3	24.8
Retiring in 20 years		
Males	25.0	23.9
Females	27.7	26.7

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

### 23 Pension and similar obligations (continued)

Each academy's shares of the assets and liabilities in the scheme and the expected rates of return were:

#### Colne Primet Academy

	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	7.00%	490	7.00%	311
Government bonds	2.90%	2	3.40%	42
Other bonds	3.80%	262	4.40%	125
Property	6.20%	95	5.70%	50
Cash / Liquidity	0.50%	24	0.50%	29
Other	7.00%	113	7.00%	50
<b>Total market value of assets</b>	5.74%	<b>986</b>	5.64%	<b>607</b>
Present value of scheme liabilities				
- Funded		(1,532)		(1,521)
<b>Deficit in the scheme</b>		<b>(546)</b>		<b>(914)</b>

#### Pendle Primary Academy

	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	7.00%	362	7.00%	203
Government bonds	2.90%	1	3.40%	27
Other bonds	3.80%	193	4.40%	82
Property	6.20%	70	5.70%	33
Cash / Liquidity	0.50%	17	0.50%	19
Other	7.00%	84	7.00%	33
Investment Expenses	1.60%		1.60%	
<b>Total market value of assets</b>	5.74%	<b>727</b>	5.64%	<b>397</b>
Present value of scheme liabilities				
- Funded		(1,215)		(1,120)
<b>Deficit in the scheme</b>		<b>(488)</b>		<b>(723)</b>

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

### 23 Pension and similar obligations (continued)

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 31 August 2014 this yield was 2.9% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 August 2014 we have taken the expected return as 3.8% p.a. which implies a reduction for the risk of default of 0.1% p.a. when compared with the corporate bond yield/discount rate appropriate to the "mature" deviation profile for example.

It is generally accepted that the yield on equity investments will contain an "equity risk premium" in addition to the yield on Government bonds, which are perceived as the "least risk" investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average. However, the level of equity risk premium can vary from time to time dependent on market levels and expectations for future returns.

We have taken the overall expected return on equities as at 31 August 2013 as 7% p.a., implying an equity risk premium on equities of 4.1% p.a. over and above the gilt yield of 3.4% p.a.

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

The actual return on scheme assets was £87,000 (2013 £58,000).

#### Amounts recognised in the statement of financial activities

	2014	2013
	£000	£000
Current Service Cost (net of employee contributions)	19	17
Past service cost	0	0
<b>Total operating charge</b>	<b>19</b>	<b>17</b>

#### Analysis of pension finance scheme income / (costs)

Expected return on pension scheme assets	56	29
Interest on pension liabilities	(124)	(69)
<b>Pension Finance Costs</b>	<b>(68)</b>	<b>(40)</b>

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

### 23 Pension and similar obligations (continued)

The actuarial gains and losses for the current year are recognised in the SOFA. The cumulative amount of actuarial gains and losses recognised in the statement of recognised gains and losses since the adoption of FRS 17 is a loss of £980,000.

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>At beginning of period</b>	2,641	0
Current service cost	179	130
Interest cost	124	69
Employee contributions	52	36
Actuarial (gain)/loss	(230)	(61)
Curtailments	5	0
Benefits paid	(24)	(5)
Business combinations	0	2,472
<b>At end of period</b>	<b>2,747</b>	<b>2,641</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>At beginning of period</b>	1,004	0
Expected return on assets	61	29
Actuarial gain/(loss)	460	29
Business combinations	0	802
Employer contributions	160	113
Member contributions	52	36
Benefits paid	(24)	(5)
<b>At end of period</b>	<b>1,713</b>	<b>1,004</b>

The estimated value of employer contributions for the year ended 31 August 2015 is £163,000.

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

### 23 Pension and similar obligations (continued)

The history since the establishment of the Trust of experience adjustments is as follows

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Present value of Defined Benefit Obligations	(2,746)	(2,641)
Fair Value of Share of Scheme Assets	1,713	1,004
<b>Deficit in the scheme</b>	<b>(1,033)</b>	<b>(1,637)</b>
Experience Adjustments on share of scheme assets	460	90
Experience Adjustments on share of scheme liabilities	249	61

### 24 Related Party Transactions

Owing to the nature of the academy trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee has 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 related party transactions took place in the period of account.

### 25 Contingent Liabilities

No contingent liabilities arose during the period to 31 August 2014.

## **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO PENDLE EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter and further to the requirements of the Education Funding Agency ('EFA') as included in the Academies Accounts Direction 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Pendle Education Trust during the year ended 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 Pendle Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Pendle Education Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Pendle Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Keswick School accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Pendle 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. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year ended 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. 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 PENDLE  
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY**

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

**Conclusion**

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



**Baker Tilly UK Audit LLP**

Chartered Accountants

Bluebell House

Brian Johnson Way

Preston

PR2 5PE

Date: 16/12/14