

Company nos
E-ACT 06526376
E-ACT Free Schools Trust 07610574
E-ACT Enterprises Ltd 07474228

E-ACT

Report & Financial Statements

31 August 2012

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E-ACT

Reference and administrative details

For the year ended 31 August 2012

Company numbers	E-ACT 06526376 E-ACT Free Schools Trust 07610574 E-ACT Enterprises 07474228	
Registered office	2-6 Cannon Street London EC4M 6YH	
Operational address	Third Floor 10 Whitfield Street London W1T 2RE	
Principal staff	Acting Chief Executive Officer Director of Finance Head of Legal Services	David Moran Clive Medlam Christopher Balderstone
Trustees	Ann Limb (Member) Stephen Perry (Member from 20 January 2012) Sir Bruce Liddington David Mallen David Reynolds John Hall Ben Green (resigned and reappointed 17 January 2013) Gerard McCormack (Member from 20 January 2012) Jamal Dardouk Clive Lewis (from 20 January 2012) Sheila Scales (resigned 7 August 2012) Barry Bainbridge (resigned 31 August 2012) Noorzaman Rashid (resigned 23 March 2012) Peter Fair (resigned 22 November 2011) Tom Peryer (resigned 23 September 2011) — Noran Flynn (from 28 September 2012) Mary Shaw (from 28 September 2012) Stephen Hopkins (from 28 September 2012)	
Bankers	HSBC 60 Queen Victoria Street London EC4N 4TR	
Solicitors	BWB 2-6 Cannon Street London EC4M 6YH	
Auditors	KPMG LLP 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT	

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Report of the Trustees

The Trustees present their report and the audited financial statements of the Group and the Company for the year ended 31 August 2012

Financial statements have been prepared in accordance with accounting policies set out in Note 1 to the accounts. These comply with the Company's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ("SORP 2005"), The Academies Accounts Direction issued by the EFA and The Companies Act 2006

Structure, Governance & Management

Constitution

E-ACT is a Company limited by guarantee and is an exempt charity, with its Memorandum & Articles of Association being its primary governing documents. Members and Trustees during the year ended 31 August 2012 are set out below -

Members	Ann Limb	
	Stephen Perry	(from 20 January 2012)
	Gerard McCormack	(from 20 January 2012)
Trustees	Ann Limb (Chair)	
	Stephen Perry (Vice Chair)	
	Sir Bruce Liddington	
	David Mallen	
	David Reynolds	
	John Hall	
	Ben Green	(resigned and re-appointed 17 January 2013)
	Gerard McCormack	
	Jamal Dardouk	
	Clive Lewis	(from 20 January 2012)
	Tom Peryer	(resigned 23 September 2011)
	Peter Fair	(resigned 22 November 2011)
	Noorzaman Rashid	(resigned 23 March 2012)
	Barry Bainbridge	(resigned 31 August 2012)
	Sheila Scales	(resigned 7 August 2012)

Appointed on 28 September 2012, after the end of the 2011/12 financial year -

Noran Flynn
Mary Shaw
Stephen Hopkins

Following the resignation of Sir Bruce Liddington on 24 April 2013, the Board approved the appointment of David Moran as Acting Chief Executive Officer on 25 April 2013

Sir Bruce Liddington was the Accounting Officer for E-ACT until 24 April 2013 and David Moran from 25 April 2013

Our academies enjoy a substantial degree of earned autonomy, with Principals accountable to the Director General for the operation of their academies. The Board has approved a scheme of delegation clarifying the delegation of authority.

Trustees' Liability & Indemnities

Each Member of the Company undertakes to contribute to the assets of the Company in the event of it being wound up while they are a Member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a Member.

Trustees and Governors are covered by E-ACT's insurance policy with Royal Sun Alliance under their Trustees & Officers policy – Head Office & Board £5m and academies £2m, any one claim.

Principal Activities

The Board of E-ACT is ambitious in its aspirations – for students, for schools, for communities, and for the country. We express this vision as follows -

E-ACT aspires to transform the educational landscape of the UK

The Board of E-ACT seeks to fulfil this vision by relentless pursuit of the charity's core or moral purpose, which is to **work with educationally under-performing schools in disadvantaged socio-economic areas to accelerate student attainment and contribute to community cohesion by transforming school performance and students' life chances.**

Our full mission statement is set out in our Corporate Plan 2012-2015.

Method of Recruitment & Appointment of Trustees

At the time of approving the accounts, the Board of 13 Trustees is currently made up as follows -

- 6 Trustees appointed by the Members (Articles 35-37),
- 4 academy Trustees elected by academy Chairs of Governors (Articles 40 & 41),
- 1 Parent Trustee elected (Article 42),
- 1 co-opted Trustee appointed (Article 47),
- the Director General, as an ex officio Trustee

Each Trustee serves a term of four years, which is renewable. The Secretary of State is entitled to appoint a Member under Article 12b, but this position is currently vacant following the resignation of Sheila Scales and there are currently no plans for the position to be filled.

The Board has delegated the power of appointment of the Chair, Vice Chair, and Chair of Finance Committee of each Local Governing Body to the Director General although following a review of governance currently being undertaken by external consultants this may be subject to revision in the future.

The Master Funding Agreement and early Supplemental Funding Agreements stipulated the number of Parent and Local Governors on each Local Governing Body. Since January 2011, the

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DfE model does not stipulate this and the Local Governing Bodies' composition reflects the agreements they have entered into

Academy and Parent Trustees are appointed by election when necessary. Appointed Trustees are sourced through a variety of recruitment procedures and are chosen on the basis of a skills audit and recommendation by the Members. This process is also subject to change following the current governance review.

Induction & Training of Trustees

Newly appointed Trustees are given a half day induction and training meeting with the Company Secretary immediately after their appointment. Prior to this meeting they are provided with copies of the previous year's minutes, terms of reference and delegation and a description of the role expectations for a Trustee, the Cabinet Office's guidance on the expectations of a charity Trustee and HMRC's description of a 'fit and proper' person.

The pack also includes the E-ACT Corporate Plan and Business Plan, the Governance Handbook and any other documentation that the Trustee in question may find useful. They are given administrative details such as dates, biographies of other Trustees, finance and expenses policies and a list of useful acronyms that are used in the education sector.

In light of the governance review and the recent appointment of a Governance Manager there is work in hand to revise the role description for Trustees, the terms of reference for Committees and the production of the E-ACT Governance Handbook.

Organisational Structure

The Board meets a minimum of 4 times per annum and additionally as required. The Board has the following Committee Structure -

- Audit & Risk Committee
- Finance Committee
- Remuneration Committee
- Nominations and Governance
- Local Governing Bodies

These Committees meet regularly through the year on a cycle to complement the Board meetings. The Committees cover the matters delegated to them in accordance with terms of reference that are regularly reviewed and updated as necessary. A structure of delegation has been agreed to clarify those decisions that are for the whole Board, a committee of the Board or delegated to the Director General or his executive team.

Following the resignation of the former Chairman in March 2012 (Noorzaman Rashid), the Board commissioned in the spring of 2012 a wholesale strategic review of E-ACT including strategy formulation, governance arrangements, and E-ACT head office structures. External consultants WCL and Compass Partnership were engaged in accordance with procurement policy to carry out the review in conjunction with the Board and E-ACT staff and have so far reported with recommendations to the Board at meetings held in July and October 2012. Recommendations on strategy have informed E-ACT's revised Corporate Plan 2012-2015 and Business Plan 2012-2013,

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some recommendations on governance have been implemented and others are ongoing and head office restructuring is currently taking place. All 3 work streams of the strategic review are overseen between Board meetings by the Strategic Review Oversight Group (SROG), which reports to the Board. The members of SROG were Ben Green, Clive Lewis, Jamal Dardouk, Ann Limb and Sir Bruce Liddington.

The Board aspires to be an outstanding Board in all aspects of its conduct and performance. It recognises there remains work to be done over the next 12 months to reach this standard across all areas of its responsibilities. The Board has identified that progress on a number of fronts is needed to fulfil the ambitions outlined in the Business and Corporate Plans including in the following areas -

- development of integrative and inclusive mechanisms across head office and schools for strategic educational, business and financial planning,
- strengthening of governance through the implementation of a cohesive well understood and effective model of governance that enables E-ACT's educational, business and financial plans to be delivered,
- identification, management and monitoring of the risks that go with growth in numbers of schools, staff and students - be these risks financial, governance, educational, health & safety, or personnel related

In every case, the opening academy had a shadow Local Governing Body that became the Local Governing Body immediately upon commencement of the new school, and great care is taken in the selection and making of appointments – Chairs of Governors and Clerks to the Local Governing Bodies. Chairs and Vice Chairs of Governors, Chairs of Finance & Assets Committees, Clerks to the Local Governing Bodies and the majority of governors are appointed by the Director General. A Director General's representative also attends every Local Governing Body, as does an Education Adviser.

Our governing bodies and their committees have clear delegated authority, are required to carry on their activities as committees of the Board, and are required to run their meetings and cycle of business to fit into the E-ACT Board cycle and in the same style, i.e. with interests declared and noted, proper agendas, papers circulated in advance of meetings, minutes produced promptly and actions implemented. These Local Governing Bodies have their own committees subject to the same rigour, plus individual governors acting in key roles (e.g. safeguarding, health & safety). Responsible Officers carry out audit visits to the academies to assess and where necessary, suggest improvements to the internal controls in place.

Individual governors have additional responsibilities (as set out in the E-ACT Governor Handbook) as chairs of finance and assets committees, safeguarding or special educational needs governors, health and safety governors and serving on committees for delivery of new buildings.

The Memorandum & Articles of Association provides for the appointment of one parent governor from the local governing bodies (following an election) to serve on the Board. A Trustee term of office is for four years. Subject to remaining eligible to be a particular type of Trustee, a Trustee may be re-appointed or re-elected.

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E-ACT has reviewed the Institute of Chartered Secretaries (ICSA) Guidance Note for its own needs. This guidance provides sufficient detail to enable governance arrangements to be put in place and is used for the basis of training for governors.

E-ACT undertakes a periodic review of governance arrangements as it evolves, and where appropriate amends policies, procedures, and its governing document to ensure that they remain fit for purpose and are structured in the most effective way to meet the charity objects. The effectiveness of the Trustees (and the Board as a whole) is subject to annual appraisal.

Academies and academy proprietors (otherwise known as Academy Trusts or Academy Companies) are Exempt Charities, which means they are exempt from Charity Commission supervision (The Charities Act 1993). These charities cannot register with the Charity Commission and are outside their monitoring and investigative power, but they have the same status and tax benefits as other charities in England & Wales and must comply with general Charity Law. They are subject to the jurisdiction of the Courts and can ask the Charity Commission to exercise their support powers when necessary, for example, to authorise an action not otherwise allowed by their governing document.

The principal regulator is the Department for Education (DfE), assisted by the Education Funding Agency.

The Charity Commission and DfE entered into a memorandum of understanding in July 2012 to formalise the details of the relationship as principal regulators. It is designed to ensure that academies are regulated appropriately and effectively as charities but through oversight mechanisms to ensure that regulation is proportionate and avoids duplication.

Risk Management

At the time of writing this report all local authorities are consulting via their Schools Forums on revisions to their 2013/14 funding formula for maintained schools and academies, following radical changes made by the Department for Education as part of a first step towards a fully National Funding Formula from April 2014. The most significant change in 2013/14 is the reduction in number of formula factors permitted, which will create gainers and losers on a large scale. These variations in funding will be damped for a two year period through a Minimum Funding Guarantee mechanism that will limit any reduction to a maximum 1.5% per pupil, though our academies will need to incorporate estimates of their underlying new funding levels from 2015/16.

The Board Trustees are responsible for ensuring adequate risk management arrangements are in place, and have delegated executive responsibility for this to the Director General (as Accounting Officer), who in turn has tasked the Company Secretary & Director of Legal Services to lead in this area of work at senior management level. Day-to-day risk management of each of E-ACT's academies is delegated to their Local Governing Bodies. Risk management processes and practices are regularly reviewed at each academy and by the Audit & Risk Committee, which reports regularly to the Board of Trustees.

The principal financial risks and uncertainties facing E-ACT include the long term business dependency on DfE grant income, reductions in budgets for management of new academy and Free School projects, and uncertainty with capital funding and long term building maintenance funds.

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In order to mitigate these principal risks E-ACT is exploring wider business and income generation models through other sources, developing capital services and advice for schools to buy in from, and exploring wider partnerships and strategic business arrangements

E-ACT has developed a flexible programmes resource for the delivery of project management for our own new academy and capital projects, to enable regional responses, lessons learned approaches, and consistent deployment of cost effective teams

A Corporate Risk Group was formed during 2011/12, the primary role of which is to avoid excessive bureaucracy and support the senior management team in informing, reviewing, monitoring, and advising upon the management of risk within the Company, in respect to both head office and individual academy responsibilities. In fulfilling its role the group will -

- monitor and review the Company's risk arrangements,
- monitor the risk arrangements in place at academies,
- share effective practice across head office and academies in order to ensure proactive risk reduction throughout the Group, and
- explore ways in which academies can support each other in the management of risk

Insurance cover is maintained to provide against any significant financial risk across E-ACT

A group-wide Health & Safety Policy is in place for head office and each academy, supported by the use of a common ICT system called Handsam

The Board is rightly concerned that the viability of all new school projects is adequately tested through extensive due diligence activity (legal, personnel, finance, education, ICT, etc) which is reported through the Director General to the Board. This takes place before approval for a new academy, joining E-ACT is given

The underlying philosophy is of earned autonomy, enabling academies to share in the support and challenge of the collective E-ACT group, combined with the freedom to develop an individual teaching and learning ethos suited to the needs of the local community. As the number of E-ACT academies increases, activities and responsibilities outside of teaching and learning will be structured in such a way so as to improve the efficiency of back office functions while providing assurance on regularity, propriety and compliance

Connected Organisations & Related Party Relationships

E-ACT has two subsidiary companies, E-ACT Free Schools Trust (Company Number 07610574) and E-ACT Enterprises Limited (Company Number 7474228). Following a board meeting on 25 April the directors took the decision to cease trading and return the company to a dormant status

Auditor

KPMG was appointed following a tender process in spring 2012

Objectives & Activities

Objects & Aims

The Charity's objects ("the Objects") are -

- a) to advance for the public benefit education in the United Kingdom, in particular but without limitation, by establishing, maintaining, carrying on, managing and developing schools, colleges and academies as centres of excellence in education for all, irrespective of ability, gender, culture, faith, race or nationality and embracing the shared values of different religions and beliefs to reflect the inclusive, cohesive, diverse and multicultural society of 21st Century Britain ("Academies") offering a broad curriculum with a strong emphasis on, but in no way limited to either one, or a combination of the specialism(s) specified in the Relevant Funding Agreements, and
- b) to promote for the benefit of the inhabitants of the areas in which the Academies are located and the surrounding areas the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants

The Trust's aims are as follows, these are set out in the corporate plan -

- Extending educational excellence for all by improving under-performing schools and by achieving operational economies of scale in terms of value for money and organisational resilience
- Accelerating student attainment outcomes -
 - in secondary schools and academies by achieving an aspirational annual 10 percentage points improvement at GCSE, 5 A*- C including English & maths
 - in primary academies exceed the national average of two levels of progress at the end of Key Stage 2 in English and Maths by 5 percentage points minimum each year
- Creating more cohesive communities and responsible global citizens by enhancing students' opportunities for social mobility, employability, personal and spiritual development

Transforming schools in deprived areas by improving and innovating in all aspects of teaching learning and leadership

Objectives, Strategies, Activities & Public Benefit

E-ACT is one of the leading education sponsors in the country, established to promote excellence in education and learning. Currently it is achieving benefit to the public by the opening and

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operating of academies and free schools across England as part of a major programme of investment in educational centres of excellence, which is also central to its charitable objects. Under the leadership of the Director General and a committed Board, E-ACT works in partnership with individual schools, their communities, local authorities and with all stakeholders who have an interest in education as part of the Government's Academies and free schools programmes.

The focus of E-ACT is to support young people in achieving their true potential. We believe the better educated and more highly skilled people are, the better their life chances and the more likely they are to succeed in today's globalised world. E-ACT is **committed** to significantly improving students' ambitions, aspirations, learning, achievement and personal development, irrespective of their ability, gender, faith or race.

Our growing number of academies and schools gives the Group the opportunity to benefit from the shared resources and the economies of scale derived from communal buying. E-ACT academies and schools support each other and work together on crosscutting themes in pursuit of educational excellence.

The ethos and values of E-ACT support and develop a culture where students' individual faith and cultural requirements are recognised, respected and celebrated. E-ACT is committed to fostering the tolerance and respect for others, which leads to greater community cohesion.

E-ACT provides benefits to the public through its academies and by achieving the following objectives -

- to raise educational standards by adding value through innovation, specialisms and by creating new opportunities for students,
- to ensure high attainment and improved social mobility and inclusion,
- to provide an education where children become successful and confident adults who are sought after by employers,
- to provide a culturally inclusive ethos which values diversity, greater integration and community cohesion,
- to create awareness of environmental issues facing the world and to develop innovative projects in which young people can participate,
- to enable parents, carers and local communities to benefit from the facilities of each academy for education, training, health, fitness and recreation.

The Board has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the company's aims and objectives and in planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set.

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In the last financial and academic year E-ACT opened the following academies -

Sep-11	The Aldborough E-ACT Free School The E-ACT Leeds East Academy St Ursula's E-ACT Academy
Jan-12	The E-ACT Blackley Academy Ilminster Avenue E-ACT Academy Willenhall E-ACT Academy
Apr-12	E-ACT Burnham Park Academy Danetre & Southbrook Learning Village (an All-Through academy in July 2012)

After the year end, ten academies opened in September 2012 and two in January 2013 -

Chalfont Valley E-ACT Primary Academy
Forest E-ACT Academy
Greenfield E-ACT Primary Academy
Hartsbrook E-ACT Free School
Nechells Primary E-ACT Academy
The Parker E-ACT Academy
The Purston E-ACT Academy
Reedwood E-ACT Primary Academy
Sherwood E-ACT Academy
West Walsall E-ACT Academy
Merritt's Brook E-ACT Primary Academy (January 2013)
Mansfield Green E-ACT Primary Academy (January 2013)

E-ACT has built an experienced project management team to work on academy projects and plans to build on this capacity to work not just on its own projects but to use the skills and expertise within the organisation in the wider education environment

The project capacity of the organisation has grown substantially in line with the range and number of new projects, and the acceleration of the academies and free schools programmes

As a significant employer, we continue to seek to attract and develop high quality leaders and staff who are committed to supporting E-ACT's long-term plans

E-ACT's Corporate and Business Plans have been drawn up to maximise the possibility of every member of staff understanding the objectives and targets of the whole organisation and in order to give clarity and value to each individual contribution made by everyone associated with E-ACT

The annual Business and Financial plans are monitored by the Board through a robust system of line management performance management in which employees are assessed on performance in delivering against tasks and activities that are in place to achieve the plan objectives. The Corporate Plan 2012-2015 is easily accessible to all those who work for E-ACT and underpins all other strategies. There are supplementary policies in place to involve employees in the affairs of the company including a whistle blowing policy

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The e-learning strategy and enhanced management information capacity will further involve employees through improved communication between sites, which are located throughout the country

All E-ACT academies and head office staff are required to implement the Diversity & Equality Policy in their day-to-day working practices allowing equal access to employment opportunities, training and dignity at work. E-ACT ensures that its policies and practices are kept up to date in line with current legislation (Equality Act 2010) and that due regard is given to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. To support this work a corporate HR management information system (Safe EMS) is in development.

Our recruitment process for employment caters for disabled applicants and ensures that reasonable adjustments are made during this process as requested by the applicant. All E-ACT employees have access to an Occupational Health Service. Should an employee be disabled upon appointment or become disabled during the course of their employment then the advice of the Occupational Health Service will be sought with the objective of making any reasonable adjustments to ensure that the employee can remain in employment.

All staff with disabilities have equal access to training, and career development and promotion opportunities through our performance management scheme. Specific training or adjustments requested by disabled staff either to ensure that they can remain in employment or prepare for promotional opportunities are addressed.

Achievements & Performance

E-ACT is creating academies and free schools that are inclusive and provide for all ability students who will learn and develop together reflecting the multi-racial, multi-faith and multi-cultural nature of 21st Century Britain. E-ACT seeks to raise attainment, and in so doing, improve opportunities for young people.

E-ACT has maintained its trajectory of successful improvement and this is reflected in headline GCSE results for 2012 -

- for our 15 E-ACT academies reporting results, the average headline figure for 5+ A*-C including English & Mathematics has risen by 3% points from 2011 to 44% in 2012,
- for the eight established E-ACT academies, those which have been open for three years or more, 5+ A*-C including English & Mathematics has improved by an average of over 13% points since becoming an E-ACT academy,
- three E-ACT academies improved by over 10% points this year, Parkwood (up 17% to 47%), Leeds West (up 13% to 57%) and Heartlands Academy (up 11% to 55%). E-ACT Burnham Park Academy, which opened in April 2012, but had had an E-ACT Interim Principal since September 2011, improved by 16% points to 51% in 2012.

Going Concern

E-ACT's business activities, together with the factors likely to affect its future development, performance and position are set out within this report. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial policy, and its exposures to risk. E-ACT has considerable financial resources together with long-term contracts under the Master Funding Agreement with the Department for Education.

Consequently, the Trustees believe that the group is well placed to manage its business risks successfully despite the current uncertain national economic outlook. The Trustees have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial Review

Financial & Risk Management Objectives

E-ACT's income is mainly derived from the DfE. Revenue and small capital grants are paid annually to each academy, but in addition there is an opportunity for academies to bid for substantial capital funding, and head office receives project management income to contribute to the cost of opening new academies. These grants and associated expenditure are shown as Restricted Funds in the Statement of Financial Activities.

During the year ended 31 August 2012 the total expenditure (excluding restricted fixed assets and pension funds) was £92.9m and income (excluding restricted fixed assets and pension funds) was £94.4m. Despite income being higher than expenditure overall there has been a reduction in restricted general funds reserves due to the transfer of pension deficits in respect of new Academies amounting to £3.2m, and actuarial losses during the year totalling £2.2m. Accordingly the net outgoing restricted general funds amounts to £6.1m for the year. In addition, a transfer of £2.1m from revenue to capital reserves has taken place in order to adequately provide for future depreciation charges on capitalised assets.

Restricted fixed asset income for the year is £70.5m and expenditure £4.8m, in the main representing gifted land and buildings and other equipment.

Net pension liabilities, including new academies transferred in during the year, increased by £6.0m during the year and stood at £13.6m at 31 August 2012.

At 31 August 2012, Restricted Reserves totalled £81.7m, and Unrestricted Reserves totalled £0.6m. The Restricted Reserves comprise £90.9m surplus in Fixed Asset Reserves (i.e. provision for future depreciation charges), £13.6m deficit in Pension Reserves, and £4.4m surplus in Restricted General Funds (i.e. usable reserves).

The accounts have been prepared on a going concern basis, but the aforementioned deficit resulting from the Local Government Pension Funds is required to be shown as a liability on the balance sheet by Financial Reporting Standards (FRS).

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Prior year adjustments have been made to reflect omissions and restatement to opening balances in respect to gifted assets and pension liabilities, both having now been valued at the point of conversion from schools to academies. Further, funds have been moved (in 2011/12) from Restricted Reserves to Restricted Fixed Asset Reserves, to fully provide for outstanding depreciation charges on capitalised fixed assets in both current and prior years. This enables the organisation to better manage its academies usable revenue reserves and ring-fence the future capital committed reserves.

Income and expenditure have risen significantly each year as the number of open academies has grown as follows -

- 2008/09 1
- 2009/10 8
- 2010/11 11
- 2011/12 19

A further 10 opened in September 2012, and 2 more in January 2013, which means the results of at least 31 will be consolidated in the 2012/13 accounts. The Board has approved growth up to 45 by 31 August 2013.

E-ACT academies' ability to undertake effective financial forward planning is heavily dependent on DfE funding announcements. Within the current Spending Review since December 2010 there continues to be a per pupil cash freeze in General Annual Grant (GAG), accompanied by significant reductions in Local Authority Central Support Equivalent Grant (LACSEG), mainstreamed grants, 16-19 funding, and Bursary Grants.

The only growth in revenue funding since 2010 has been Pupil Premium, starting in April 2011 and which we benefit from due to the high percentage of free school meals in many of our academies. Pupil Premium is scheduled to quadruple in total over the four years ending March 2015, by which time it is likely to constitute a significant proportion of our funding. What happens thereafter will be critical for our budget planning, as any variations in funding will impact on the final term of 2014/15 – funding might continue in a similar form or be subsumed into mainstream GAG, and/or the level of funding could be increase, reduced, or even completely come to an end. Whatever the outcomes we would need to know early in 2014 so that we can set our 2014/15 budgets with some confidence, though the fact that Pupil Premium funding ends at the same time as the National Funding Formula is scheduled to come into effect would suggest that we would know by this time.

Principal Financial Risks & Uncertainties

Financial risks and uncertainties are outlined below, analysed between those that are more likely to impact in the financial year following these accounts, and those that are longer-term considerations.

Financial Risks in 2012/13

- i) A lower number of pupils in the academies than the number on which they have been funded could result in a proportion of revenue grant funding being clawed back. This risk is managed by closely monitoring the pupil numbers from the start of the Autumn Term and ensuring academies adjust budgets in year in line with estimated clawback.
- ii) Any unforeseen property related problem that is not covered by insurance would be a significant financial risk. See point (viii) below.
- iii) Costs of any planned reorganisations and capability procedures that are beyond thresholds that the DfE or local authorities can fund.

Financial Risks in Later Years

- iv) A lower than expected intake of Nursery, Year 1 & Year 7 pupils impacts on funding not just in the year this arises but in all subsequent years as that intake works through to Year 6 or 11
- v) Reduction in 16-19 funding until it reaches a par with college and FE college funding, combined with the greater mobility of older students, creates an annual risk for our academies that operate 6th Forms Opening or expanding 6th Forms though is also an opportunity to increase funding
- vi) The move towards a National Funding Formula will produce gainers and losers on a large scale This risk is mitigated by monitoring the proposals that local authorities consult on through their Schools Forums, and
- vii) Pupil Premium is becoming a significant source of funding for our academies due to the high percentage of free school meals, such that there is a significant financial risk if the funding is not continued in some form beyond the current programme end in March 2015, our 2014/15 financial year At this current time, the risk can only be managed by our academies having a clear understanding of what activities it uses Pupil Premium funding for, so they are in a better position to plan any potential budget reductions
- viii) There is a long-term risk in the uncertainty of capital and maintenance funding The annual Devolved Formula Capital allocations are now extremely low, and the annual Academies Capital Maintenance Fund (ACMF) is many times over-subscribed E-ACT has access to no other funds for major, and often by their nature urgent, investment requirements (e.g boiler, roof and window replacements), or for any significant ongoing general refurbishment or ICT replacement (kit and infrastructure) programmes We will seek to mitigate this risk by establishing sinking fund guidance for academies, and utilising the DfE national asset management survey to support any major funding bids we make to the ACMF

Reserves Policy

Academies are funded on a monthly basis by DfE grant, and income fairly matches expenditure, where around 75% is spent on teaching and other staffing

The Master Funding Agreement allows academies to retain revenue reserves up to 2% cumulatively of General Annual Grant, plus a further 10% cumulatively for capital purposes Pupil Premium funding can be carried forward without restriction Start Up Grants can be carried forward during the period of years that they are paid

The group is in the process of developing a reserves policy in respect of unrestricted funds At the year-end these amounted to £550,000, which is not considered to be excessive

Maintaining a level of reserves is essential as E-ACT currently has no recourse to other revenue income streams of any significance Annual devolved formula capital funding is now very small, but we have been reasonably successful on capital funding having agreed to pilot the multi academy trust allocation arrangement with DfE, which avoids us having to make individual bids for each academy where there is no guarantee of receiving any funding

The level of reserves at 31 August 2012 is set out on page 14 in this report and within the accounts. The Trustees have not set a target level of reserves in aggregate or for each academy because the policy is to ensure funding received is spent on the pupils that are currently within the academies. The Trustees would nevertheless want to see academies maintaining a reasonable level of reserves to enable them to cope with unexpected expenditure or income shortfalls without always having to make compensatory budget adjustments on every occasion. It has not been prescribed to academies what this reasonable level of reserves should be, rather academies are urged to prepare financial forward plans for at least the coming three years alongside the annual budget, and to actively maintain a financial risk register.

The Master Funding Agreement enables the Trustees to transfer reserves between academies should they so choose or the need arises, but other than to ensure there are adequate reserves in aggregate at any one time to offset any academies that are in deficit, no plans exist to centrally manage the use of reserves across E-ACT.

Because of accounting for the Local Government Pension Scheme (LGPS) the accounts recognise a significant pension fund deficit within restricted funds, but this does not mean there is an immediate liability for this amount, rather it reflects the potential for increases in employer pension contributions in later years.

Investment Policy

The Board, on the recommendation of the Finance Committee, approved a revised Treasury Management Policy in January 2012. The principal consideration in this policy is risk minimisation.

Plans for Future Periods

E-ACT has significant development plans, with Board approval having been given to growing as far as 45 academies by 31 August 2013.

E-ACT Enterprises Limited was incorporated in the previous financial year as a wholly owned subsidiary of E-ACT, with the objective of providing consultancy services to other organisations within the education sector and applying its profits to the work of E-ACT. Following a board meeting on 25 April the directors took the decision to cease trading and return the company to a dormant status.

E-ACT Free Schools Trust, a company limited by guarantee and an exempt charity, was also established during the previous year to run the Aldborough E-ACT Free School and any future free schools promoted by E-ACT. A comprehensive Corporate Plan has been developed that incorporates activity within each of these E-ACT entities. Our strategy for years 2012-15 is laid out in this document and monitored regularly against ambitious benchmarks by both the senior management team and the E-ACT Board.

Funds Held as Custodian Trustee on behalf of others

None

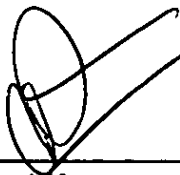
Auditor

In so far as the Trustees are aware -

E-ACT Group Report for the year ended 31 August 2012

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- they 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

This report was approved by the Trustees on 3 May 2013 and signed on their behalf by

A handwritten signature in black ink, consisting of a large, stylized 'D' and 'M' followed by a diagonal stroke.

David Moran
Acting Chief Executive Officer & Accounting Officer

Governance Statement

As Trustees, we acknowledge we have overall responsibility for ensuring that E-ACT has an effective and appropriate system of internal 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 has delegated day-to-day responsibility to the Director General as Accounting Officer, who in turn has delegated responsibility within academies to their Principal, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned in the funding agreements with the Secretary of State for Education. Principals are responsible for reporting to their Local Governing Body, and the Director General to the Board, on any material weaknesses or breakdowns in internal control.

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 E-ACT 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 throughout the year, and continues to be reviewed and updated, particularly at this time to incorporate additional requirements around regularity brought about by the Education Funding Agency's introduction of a specific audit opinion on this at the end of September 2012.

Capacity to Handle Risk

The Board has reviewed the key risks to which E-ACT is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing significant risks that has been in place for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board, and as recently as December 2012 invited the external auditor to run a risk management seminar at the conclusion of the regular board meeting.

Governance

The information on governance here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board has met formally seven times during the year. Attendance during the year at meetings of the Board was as follows -

E-ACT Group Report for the year ended 31 August 2012

<u>Trustee</u>	<u>Meetings Attended</u>	<u>Out of a Possible</u>
Ann Limb (Chair)	6	7
Stephen Perry	5	7
Sir Bruce Liddington	5	7
David Mallen	5	7
David Reynolds	6	7
John Hall	6	7
Ben Green	5	7
Gerard McCormack	7	7
Jamal Dardouk	6	7
Clive Lewis	3	5
Tom Peryer	0	0
Peter Fair	1	1
Noorzaman Rashid	4	4
Barry Bainbridge	6	7
Sheila Scales	4	7

The **Finance Committee** is a sub-committee of the Board. Its principal responsibilities and areas of work are to -

- take responsibility on behalf of the Board for overseeing all financial aspects of the operations of E-ACT, E-ACT Enterprises Ltd, and E-ACT Free Schools Trust, so as to ensure short and long-term viability,
- make recommendations to the Board on the Head Office long-term budget strategy, annual budget and financial forward plan, and monitor these once they are approved,
- determine the treasury management strategy, and monitor compliance and performance thereof,
- monitor any financial targets and key performance indicators included within the Corporate Plan and Annual Business Plan

During the year the committee met on four occasions. Attendance during the year at meetings of the committee was as follows -

<u>Trustee</u>	<u>Meetings Attended</u>	<u>Out of a Possible</u>
Stephen Perry	4	4
Ben Green	3	3
Jamal Dardouk	4	4
Gerard McCormack	3	4
Peter Fair	1	1
Sheila Scales	3	4

The **Audit & Risk Committee** is a sub-committee of the Board. Its principal responsibilities and areas of work are to -

- oversee the appointment and performance of external auditors,
- review the annual financial statements and external auditors report thereon,
- approve arrangements for ensuring effective internal control across E-ACT, which may

E-ACT Group Report for the year ended 31 August 2012

include a combination of internal audit and Responsible Officers,

- oversee arrangements for insurance and risk management, whistleblowing and fraud prevention

During the year the committee met on four occasions Attendance during the year at meetings of the committee was as follows -

<u>Trustee</u>	<u>Meetings Attended</u>	<u>Out of a Possible</u>
Gerard McCormack	4	4
John Hall	2	3
Barry Bainbridge	3	3
Tom Peryer	1	1
Ben Green	1	1

The **Remuneration Committee** is a sub-committee of the Board Its principal responsibilities and areas of work are to -

- advise the Board of Trustees on the salary of the Director General and executive directors,
- review performance management and pay policy,
- review the arrangements for paying Chairs of Governors and Clerks for the Academy Governing bodies and make recommendations to the Board,
- review policies relating to recruitment, equalities, equal opportunities and other related employment policies and make recommendations to the Board for the approval and adoption of any such policies,
- review the making of severance payments to employees on termination of any contract of employment where such payment has been made,
- agree a talent management strategy for head office staff and (where applicable) Academy staff and monitor its implementation

During the year the committee met on one occasion Attendance during the year at meetings of the committee was as follows -

<u>Trustee</u>	<u>Meetings Attended</u>	<u>Out of a Possible</u>
Noorzaman Rashid	1	1
Ann Limb	1	1
David Mallen	1	1
David Reynolds	1	1

The **Nominations Committee** is a sub-committee of the Board Its principal responsibilities and areas of work are to -

- regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make

E-ACT Group Report for the year ended 31 August 2012

recommendations to the Board with regard to any changes,

- give full consideration to succession planning for Directors and other senior executives in the course of its work,
- identify and nominate for the approval of the Members, candidates to fill Board vacancies as and when they arise

During the year the committee met on two occasions Attendance during the year at meetings of the committee was as follows -

<u>Trustee</u>	<u>Meetings Attended</u>	<u>Out of a Possible</u>
Noorzaman Rashid	2	2
Ann Limb	1	2
Sheila Scales	0	2
Stephen Perry	1	1
Gerard McCormack	1	1

Risk & Control Framework

The system of internal financial control includes -

- a Finance Manual & Governors' Handbook issued to all academies,
- a Procurement Policy approved by the Board, which includes thresholds for approving purchase orders and seeking of competitive quotations and tenders,
- the "Offer Letter" that sets out the respective responsibilities of head office and academies,
- a month-end checklist that confirms whether or not all control account reconciliations and ledger postings have been actioned,
- a monthly budget monitoring return to head office,
- a single main and sundry bank account for E-ACT, with authority for releasing payments resting with head office,
- academies being required to copy all invoices over £5,000 to head office for scrutiny before payments are released, to provide a further control over large payments,
- academies appointing a Responsible Officer to review systems of control and a sample of transactions at least once a term, the findings of which are reported to Local Governing Bodies and head office,
- academy Finance Trustees submitting a budget monitoring report to every meeting of their Finance & Assets Committee, and monthly to head office,
- academies are required to maintain a financial forward plan,

E-ACT Group Report for the year ended 31 August 2012

- the external audit regularity questionnaires issued to all academies and every budget holder across E-ACT,
- the E-ACT Finance Scorecard is completed at the end of each term, assessing academies' performance in financial standing, governance, monitoring and administration. This was introduced during the last year

The Audit & Risk Committee has reviewed the extent of work conducted by Responsible Officers over the past year and has now determined a minimum standard and specification for all E-ACT academies, which includes the requirement that the Responsible Officer should not be a governor of the academy and should be suitably qualified for the role

Review of Effectiveness of Risk & Control Framework

As Accounting Officer, the Director General 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 Responsible Officers,
- the work of the Audit & Risk Committee,
- the work of academy Principals, who have responsibility for the development and maintenance of the internal control framework at a local level,
- a review of compliance with procurement rules and guidance
- a review of auditor's management recommendations, with progress reported regularly to the Audit & Risk Committee

On 11 March 2013 E-Act was issued with a Financial Notice to Improve by the Education Funding Agency. The E-ACT Management and Board of Trustees have established a comprehensive Action Plan and are working closely with the EFA to ensure successful implementation. It will be reviewed in July 2013.

New Academies in the Period

E-ACT opened three academies in September 2011 (including one Free School), a further three in January 2012, and four more in April 2012. Three of the last merged a month later into a single All-Through Academy, so the accounts for 2011/12 comprise consolidated results for 19 academies. Twelve further academies (including the second Free School) have opened on or after 1 September 2012.

E-ACT has robust project management arrangements for taking all new academies, which from the financial perspective include support in establishing an academy's first budget under E-ACT sponsorship, setting it up within the corporate accounting system (PS Financials), and providing it with the E-ACT Finance Manual and established processes and procedures for managing budgets and carrying out financial transactions.

New academies are written to when they convert, advising them to review their draft budget at their first Local Governing Body or Finance & Assets Committee meeting, with the aim of owning this themselves by ensuring they understand how all the expenditure and income estimates have been constructed, making adjustments where necessary, and identifying their budget risks going forward. All academies are required to appoint a Responsible Officer within their first term.

E-ACT Group Report for the year ended 31 August 2012

This report was approved by the Trustees on 3 May 2013 and signed on their behalf by



Dr Ann Limb
Chair of E-ACT



David Moran
Acting Chief Executive Officer & Accounting
Officer

Statement on Regularity, Propriety & Compliance

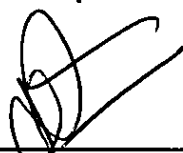
As Accounting Officer of E-ACT I have considered my responsibility to notify the academy trust Board and the Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreements in place between E-ACT and the Secretary of State. As part of my consideration I have had due regard to the requirement of the Academies Financial Handbook

I confirm that I and the Board are able to identify any material irregular or improper use of funds by E-ACT, or material non-compliance with the terms and conditions of funding under E-ACT's Master Funding Agreement and the Academies Financial Handbook

There have been low rates of compliance with procurement policies and practices throughout the year. Following internal investigations in the financial year and a subsequent investigation by the Education Funding Agency in February 2013, certain incidences where services have been procured have been identified with a value of £238k where no conclusive evidence has been found to support either irregularity or regularity of the procurement process though in each case the Trust received the services procured which were required by the organisation. What is clear is that there has been a breakdown in process in relation to these incidents, which is being addressed as part of E-ACT's Action Plan submitted to the Education Funding Agency in April 2013. This is being taken forward in conjunction with the Education Funding Agency, and is being closely monitored by management, the Board of Trustees, the Education Funding Agency

I can confirm that any instances of potential material irregularity, impropriety or funding non-compliance discovered to date have been notified to the governing body and the Education Funding Agency

This report was approved by the Trustees on 3 May 2013 and signed on their behalf by



David Moran

Acting Chief Executive Officer & Accounting Officer

Statement on Trustees' Responsibilities for the Financial Statements

The Trustees for charitable activities of E-ACT 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 Trust 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 Trust will continue in business

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust 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 Trust 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 Trust applies financial and other controls, which conform to 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 Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Trustees on 3 May 2013 and signed on their behalf by



Dr Ann Limb
Chair of E-ACT



David Moran
Acting Chief Executive Officer & Accounting Officer

Independent Auditor's Report to the Trustees of E-ACT

We have audited the financial statements of E-ACT for the year ended 31 August 2012 set out on pages 28 to 57. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2011/12 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company's (the Academy's) members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2011/12 issued by the Education Funding Agency ("EFA") on terms that have been agreed. 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 auditors' report and, in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2011/12 issued by the EFA, those matters that we have agreed to state to them in our 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 the Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 24, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which 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 auditing standards require us to comply with the Auditing Practices Board'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 Academy's affairs at 31 August 2012, 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 UK Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006,
- have been prepared in accordance with the Academies Accounts Direction 2011/12 issued by the EFA.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees' 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 by the Academy, 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,
- certain disclosures of Governors' remuneration specified by law are not made,
- we have not received all the information and explanations we require for our audit



Michael Rowley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate, Brighton Road, Crawley, West Sussex, RH11 9PT

3rd May 2013

Independent Accountant's Report on Regularity to the Trustees of E-ACT and the Education Funding Agency

In accordance with the terms of our engagement letter dated 19 November 2012 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by E-ACT during the year to 31 August 2012 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 the governing body and the EFA. Our review work has been undertaken so that we might state to the governing body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the governing body and the EFA, for our review work, for this report, or for the opinion we have formed

Respective responsibilities of the governing body and reporting accountant

The governing body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and the guidance set out in the EFA's Financial Handbook and the Academies Accounts Direction 2011/12. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the year to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Academies Accounts Direction 2011/12 issued by the EFA. However, as disclosed in the Accounting Officer's statement on regularity, propriety and compliance, with respect to procurement process the evidence available to us was limited. There have been low rates of compliance with procurement policies and practices throughout the year. There were also certain incidences where services have been procured with a value of £238k where no conclusive evidence has been found to support either irregularity or regularity of the procurement process though in each case the Trust received the services procured which were required by the organisation

Qualified Opinion arising from limitation in scope

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2011 to 31 August 2012 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

In relation solely to the limitation on our work surrounding procurement

- we have not obtained all the information and explanations that we considered necessary for the purpose of our review
- we were unable to determine either irregularity or regularity of the procurement process of services detailed above


Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Forest Gate, Brighton Road, Crawley, West Sussex, RH11 9PT

 May 2013

E-ACT

Statement of Financial Activities

For the year ended 31 August 2012

						Restated see note 27
	Notes	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Incoming resources						
<i>Incoming resources from generated funds</i>						
Voluntary income	3	42	0	0	42	87
Activities for generating funds	4	3,406	0	0	3,406	2,235
Investment income	5	37	0	0	37	25
Other trading Income	5a	15	0	0	15	0
<i>Incoming resources from charitable activities</i>						
Funding for the Academy's educational operations	6	0	90,939	5,239	96,178	75,357
<i>Exceptional Income</i>						
Transfer of assets/liabilities from incoming schools	26	245	(3,241)	65,252	62,256	0
Total incoming resources		3,745	87,698	70,491	161,934	77,704
Resources expended						
<i>Cost of generating funds</i>						
Costs of generating voluntary income		0	0	0	0	154
Other Trading Costs	7	15	0	0	15	0
<i>Charitable activities</i>						
Other resources Expended	26	0	0	0	0	1,705
Academy's educational, operations	8	3,380	89,189	4,826	97,395	78,260
Governance costs	9	71	222	0	293	159
Total resources expended	7	3,466	89,411	4,826	97,703	80,278
Net incoming / (outgoing) resources before transfers		279	(1,713)	65,665	64,231	(2,574)
Gross transfers between funds	17	0	(2,107)	2,107	0	0
Net income/(expenditure) for the year		279	(3,820)	67,772	64,231	(2,574)
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes	27	0	(2,230)	0	(2,230)	2,593
Net movement in funds		279	(6,050)	67,772	62,001	19
Reconciliation of funds						
Funds brought forward (Originally (£2,230,000) before prior year adjustment of £22,506,000)	27	271	(3,106)	23,111	20,276	20,257
Funds carried forward at end of year		550	(9,156)	90,883	82,277	20,276

All of the groups activities derive from continuing operations in both years. There were 11 academies in operation during the year to 31 August 2011 and rising to 18 academies and 1 free school for the year ended 31 August 2012.

A statement of recognised gains and losses is not required as all gains and losses are included in the Statement of Financial Activities.

E-ACT

Balance Sheets

For the year ended 31 August 2012

		Group	Restated Group	Charity	Restated Charity
		31st August 2012 £'000	31st August 2011 £'000	31st August 2012 £'000	31st August 2011 £'000
Fixed assets					
Tangible Assets	13	90,381	24,847	88,438	24,847
Current assets					
Stock	14	31	0	31	0
Debtors	15	7,270	2,579	6,921	2,579
Cash at bank and in hand		9,602	8,889	9,563	8,889
		16,903	11,468	16,515	11,468
Creditors Amount falling due within one	16	(11,447)	(8,445)	(11,116)	(8,445)
Net current assets		5,456	3,023	5,399	3,023
Net assets excluding pension liability		95,837	27,870	93,837	27,870
Pension scheme liability	25	(13,560)	(7,594)	(13,556)	(7,594)
Net assets including pension liability		82,277	20,276	80,281	20,276
Funds of academy					
Restricted funds					
Fixed asset fund	17	90,883	23,111	88,438	23,111
General fund	17	4,404	4,488	4,849	4,488
Pension reserve	17	(13,560)	(7,594)	(13,556)	(7,594)
Total restricted funds		81,727	20,005	79,731	20,005
Unrestricted funds		550	271	550	271
General fund(s)	17				
Total funds		82,277	20,276	80,281	20,276

The financial statements on Page 28 to 57 were approved by the trustees on 3 May 2013 and signed on their behalf by



David Moran
Acting Chief Executive Officer and Accounting Officer

company number: 652 6376

E-ACT**Cash Flow Statement****For the year ended 31 August 2012**

		Group	Group
		31st August	31st August
	Notes	2012	2011
		£'000	£'000
Net cash inflow from operating activities	19	689	4,160
Returns on investments and servicing of finance	20	37	25
Capital expenditure	21	(13)	(42)
Increase in cash in the year	22	713	4,143
Reconciliation of net cash flow to movement in net funds			
Net funds at beginning of year		8,889	4,746
Net funds at end of year		9,602	8,889

E-ACT

Notes to the Financial Statements

For the Year Ended 31 August 2012

Note 1 · Statement of Accounting Policies

These financial statements consolidate the results of E-ACT, E-ACT Free Schools Trust and E-ACT Enterprises Limited

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 & 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.

The Group has recorded a prior year adjustment that impacts on both the 2009/10 and 2010/11 financial statements primarily in respect of gifted land and buildings that were not previously recognised in the accounts, as well as some other presentational matters relating to defined benefit pension schemes transferred in. This is more fully explained in Note 27.

Going Concern

E-ACT's business activities, together with the factors likely to affect its future development, performance and position are set out within this report. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial policy, and its exposures to risk. E-ACT has considerable financial resources together with long-term contracts under the Master Funding Agreement's with the Department for Education. Consequently, the Trustees believe that the company is well placed to manage its business risks successfully despite the current uncertain national economic outlook.

The Trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Incoming Resources

All incoming resources are recognised when E-ACT 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

E-ACT

Notes to the Financial Statements

For the Year Ended 31 August 2012

entitlement of receipt its recognition is deferred and included in creditors as deferred income

- **Sponsorship income**

Sponsorship income is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt

- **Donations**

Donations are recognised in the Statement of Financial Activities in the period in which they are receivable, where there is certainty of receipt

- **Donated services and gifts in kind**

The value of donated services and gifts in kind are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the E-ACT 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 accounting policies

- **Interest receivable**

Interest earned on cash balances is recognised in the Statement of Financial Activities in the period in which it is receivable

- **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 completion of the service

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, and depreciation charges allocated on the portion of the asset's use

- **Costs of generating funds**

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

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Notes to the Financial Statements

For the Year Ended 31 August 2012

- **Charitable activities**

These are costs incurred on E-ACT's educational operations

- **Governance costs**

These include the costs attributable to the company's compliance with constitutional and statutory requirements, including audit, strategic management, legal costs associated with the governance of the company, trustee's expenses and a proportion of staff costs and overheads

- **Support costs**

The majority of support relates to the academies' educational operations, a small proportion relates to governance and these have been allocated on the basis of time spent

All resources expended are inclusive of any irrecoverable VAT

Tangible Fixed Assets

Assets costing more than £500 are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Items bought in bulk which individually cost less than £500 may be capitalised.

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 or valuation 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 accounting policy.

The Trust has received gifted land, buildings and equipment, both of which are accounted for as gifted assets in the restricted fixed asset funds, in accordance with the Charities SORP. Gifted Land and Buildings are subject to an independent valuation by qualified Chartered Surveyor. Equipment is valued on a historic cost basis.

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 lives, as follows -

- Freehold Buildings – over 50 years
- Leasehold Land – over the length of lease

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Notes to the Financial Statements

For the Year Ended 31 August 2012

- Long leasehold buildings - lower of 50 years, length of lease, or useful economic life
- Short leasehold buildings - over the period of the lease
- ICT equipment and software - 3 years
- Fixtures, fittings and equipment - 5 years
- Motor vehicles - 5 years

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

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

Leased Assets

Rentals under operating leases are charged to the Statement of Financial Activities evenly over the lease term.

The Trust occupies a number of buildings on an operating lease basis. These have been treated as donated facilities, at the value to the Trust, in these financial statements.

The Trust occupies a number of buildings on finance lease basis. These have been treated as gifted fixed assets, at the value to the Trust, in these financial statements.

Stock

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

Taxation

E-ACT 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 E-ACT 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.

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Notes to the Financial Statements

For the Year Ended 31 August 2012

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 schools, and are recorded at fair value and have been accounted for under the acquisition method of accounting

The assets and liabilities transferred on conversion to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors 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 E-ACT. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under restricted fixed asset funds. This represents the value of the Freehold property transferred by the Local Authority to the Trust. Further details of the transaction are set out in Note 26.

Pensions Benefits

E-ACT staff are members of one of three pension schemes, two of which are defined benefit schemes

- **Defined benefit schemes**

Teachers' Pension Scheme (TPS)

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the TPS. It is an unfunded statutory scheme, with contributions so as to spread the cost of pensions over employees' working lives with E-ACT 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. The TPS is a multi-employer scheme and E-ACT 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.

Local Government Pension Scheme (LGPS)

Non-teaching academy staff are offered membership of the Local Government Pension Schemes (LGPS). They are funded schemes and the assets are held separately from those of E-ACT 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

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Notes to the Financial Statements

For the Year Ended 31 August 2012

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. More details of these schemes are given in note 25.

At the point that a school transfers as an academy to E-ACT, the related asset or liability under the LGPS is recognised in the Trust's financial statements as restricted general funds.

- **Defined contribution scheme**

Head office Pension Scheme

Head office employees have the option of joining a defined contribution scheme operated by Scottish Widows. The pension costs for the scheme represent the contributions payable in the period.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of E-ACT at the discretion of the governors. Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency 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.

Notes to the Financial Statements

For the year ended 31 August 2012

	31st August 2012 £'000	Restated 31st August 2011 £'000
--	------------------------------	--

2 General Annual Grant (GAG)

a Results and Carry Forward for the Year

GAG brought forward from previous year	5,284	1,427
GAG allocation for current year	77,199	62,170
Total GAG available to Spend	82,483	63,597
Recurrent expenditure from GAG	(76,202)	(58,169)
Fixed assets purchased from GAG	0	(144)
GAG carried forward to next year	6,281	5,284

Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)

9,264	7,460
-------	-------

GAG to surrender to DfE

0	0
no breach	no breach

* Pupil Premium has been excluded

b Use of GAG brought forward from previous year for recurrent purposes
(of the amount carried forward each year a maximum of 2% of GAG can be used for recurrent purposes. Any balance up to the maximum of 12%, can only be used for capital purposes)

Recurrent expenditure from GAG in current year	(76,202)	58,169
GAG allocation for current year	77,199	(62,170)
GAG allocation for previous year x 2%	(1,243)	(820)
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year	0	0
no breach	no breach	

3 Voluntary Income

	Unrestricted Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Other Donations	42	42	87
	42	42	87

4 Activities for Generating Funds

	Unrestricted Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Hire of facilities	557	557	206
Catering Income	476	476	0
Other Income	2,373	2,373	2,029
	3,406	3,406	2,235

5 Investment Income

	Unrestricted Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Short term deposit	37	37	25
	37	37	25

5a Trading Income

	Unrestricted Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Income from E-ACT Enterprises	15	15	0
	15	15	0

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Notes to the Financial Statements

For the year ended 31 August 2012

6 Funding for Academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
DfE/YPLA capital grant				
Academy main building grant	0	5,239	5,239	808
	0	5,239	5,239	808
DfE/YPLA revenue grant				
General Annual Grant (GAG)	0	79,718	79,718	62,170
Start Up Grants	0	4,546	4,546	6,138
Project management grants	0	2,624	2,624	1,056
Other DfE/YPLA grants	0	4,051	4,051	5,185
	0	90,939	90,939	74,549
	0	96,178	96,178	75,357

7 Resources Expended

	Staff Costs £'000	Non Pay Expenditure Premises £'000	Other Costs £'000	31st August 2012 £'000	Total 31st August 2011 £'000
Cost of Generating Funds					
Costs of generating voluntary income	0	0	0	0	154
Other Trading Costs	15	0	0	15	0
	15	0	0	15	154
Academy's educational operations					
Direct costs	55,667	0	7,726	63,393	51,619
Allocated support costs	8,104	5,896	13,440	27,440	21,979
Project management and other operations	3,096	726	2,740	6,562	4,662
	66,867	6,622	23,906	97,395	78,260
Governance costs including allocated support costs					
	71	0	222	293	159
	71	0	222	293	159
Total Resources Expended	66,933	6,622	24,128	97,703	78,573

Incoming/outgoing resources for the year include

	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Depreciation	4,826	1,308
Operating leases - property	590	54
other	265	98
Fees payable to auditor - audit prior year	13	6
- audit current year	78	36
- other services	43	20
Directors remuneration	288	281

8 Charitable Activities - Academy's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 31st August 2012 £'000	Total 31st August 2011 £'000
Direct costs				
Teaching and educational support staff costs	0	55,667	55,667	45,125
Educational supplies	0	5,132	5,132	4,106
Examination fees	0	1,426	1,426	1,152
Staff development	0	516	516	366
Educational consultancy	0	652	652	870
	0	63,393	63,393	51,619
Allocated support costs				
Support staff costs	0	8,104	8,104	7,596
Depreciation	0	4,758	4,758	1,193
Recruitment and support	0	473	473	824
Maintenance of premises and equipment	278	969	1,247	1,100
Technology costs	0	1,652	1,652	1,345
Other occupancy costs	0	5,078	5,078	3,828
Catering	475	1,533	2,008	1,511
Legal and professional fees	0	1,028	1,028	844
Bank interest and charges	1	32	33	1
Other support costs	4	3,055	3,059	3,740
Project management and other operations	2,622	3,940	6,562	4,659
	3,380	30,622	34,002	26,641
	3,380	94,015	97,395	78,260

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For the year ended 31 August 2012

9 Governance costs

	Unrestricted Funds £'000	Restricted Funds £'000	Total 31st August 2012 £ 000	Total 31st August 2011 £ 000
Legal and professional fees	0	78	78	15
Auditor's remuneration				
Audit of financial statements - prior year	0	13	13	6
Audit of financial statements - current year	0	78	78	36
Support costs	71	0	71	45
Governors reimbursed expenses	0	53	53	57
	71	222	293	169

10 Staff costs

	Group Total 31st August 2012 £'000	Group Total 31st August 2011 £'000
Staff costs during the period were		
Wages and salaries	53 912	46 883
Social security costs	4 383	3 536
Pension costs	6 665	6 095
	64 960	56 514
Supply teacher costs	1 938	1 274
Compensation payments	681	970
	67 579	58 758

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

	Group Total 31st August 2012	Group Total 31st August 2011
Charitable Activities		
Teachers	885	683
Administration and support	804	754
Management	129	89
	1 798	1 526

The number of employees whose emolument fell within the following bands was

	Group Total 31st August 2012	Group Total 31st August 2011
£60 001 - £70 000	40	20
£70 001 - £80 000	9	11
£80 001 - £90 000	3	1
£90 001 - £100 000	2	7
£100 001 - £110 000	9	5
£110 001 - £120 000	6	3
£120 001 - £130 000	3	0
£130 001 - £140 000	1	1
£280 001 - £290 000	1	1

53 of the above employees participated in the Teachers' Pension Scheme (31 August 2011: 37). During the year ended 31 August 2012 pension contributions for these staff amounted to £524 848 (31 August 2011: £366 941). 12 of the above employees participated in the Local Governmental Pension Scheme: pension contributions amounted to £94 796 (31 August 2011: £8 779). 9 of the above employees participated in the Scottish Widows' Pension Scheme (31 August 2011: 12). During the year ended 31 August 2012 pension contributions for these staff amounted to £60 120 (31 August 2011: £63 466).

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Notes to the Financial Statements

For the year ended 31 August 2012

11 Trustee's remuneration and expenses

Trustees are not remunerated other than the Director General whose salary and employers pension contribution was £288 784 (2011 £280 816)

Trustee		Payments by Head Office			Total 2011/12	Payments by Head Office			Total 2010/11
		Board & Operating Expenses	Expenses as Director General Representative on LGB	Professional Services		Board & Operating Expenses	Expenses as Director General Representative on LGB	Professional Services	
		£	£	£	£	£	£	£	£
G McCormack	Full year	0	0	0	0	0	0	0	0
S Perry	Full year	815	0	0	815	0	0	0	0
B Green	Full year	1 510	0	0	1 510	245	0	0	245
A Limb	Full year	2 078	0	0	2 078	0	0	0	0
B Bainbridge	Full year	2 795	0	0	2 795	954	0	5 894	6 848
D Mallen	Full year	0	1 082	0	1 082	0	0	22 908	22 908
D Reynolds	Full year	3 080	0	5 980	9 060	0	0	34 174	34 174
J Dardouk	Full year	787	0	0	787	0	0	0	0
J Hall	Full year	0	0	0	0	0	0	0	0
B Liddington	Full year	12 052	0	0	12 052	16 707	0	0	16 707
C Lewis	From 20 1 12	1 417	0	0	1 417	0	0	0	0
N Rashid	To 30 3 12	3 280	0	0	3 280	0	0	0	0
T Peryer	To 15 11 11	44	0	0	44	954	0	0	954
P Fair	To 23 11 11	204	0	6 421	6 625	0	0	0	0
		28 050	1 082	12 401	41 533	18 660	0	62 878	81 836

Trustee		Payments by Academies			Total 2011/12	Payments by Academies			Total 2010/11
		Expenses	Chair of Governor	Professional Services		Expenses	Chair of Governor	Professional Services	
		£	£	£	£	£	£	£	£
G McCormack	Full year	0	0	0	0	0	0	0	0
S Perry	Full year	0	0	0	0	0	0	0	0
B Green	Full year	0	0	0	0	0	0	0	0
A Limb	Full year	0	0	0	0	0	0	0	0
B Bainbridge	Full year	5 068	9 000	7 200	21 268	1 968	8 311	0	10 277
D Mallen	Full year	0	0	0	0	0	0	0	0
D Reynolds	Full year	0	0	0	0	0	0	0	0
J Dardouk	Full year	0	0	0	0	0	0	0	0
J Hall	Full year	0	9 300	0	9 300	0	24 000	0	24 000
B Liddington	Full year	0	0	0	0	0	0	0	0
C Lewis	From 20 1 12	0	0	0	0	0	0	0	0
N Rashid	To 30 3 12	0	0	0	0	0	0	0	0
T Peryer	To 15 11 11	814	3 600	0	4 214	5 690	28 200	0	33 890
P Fair	To 23 11 11	101	900	0	1,001	417	6,390	0	6,807
		5 813	22,800	7,200	35 813	8,073	68,901	0	74,974

In addition to the above Sir Bruce Liddington also took out a season ticket loan of £5 000 during the year (2011 £5 000). Of this £3 750 was outstanding at year end (2011 £3 333)

12 Governors and Officers Insurance

E-ACT has purchased insurance to protect governors and officers from claims arising from negligent acts errors or omissions occurring whilst on academy business. The insurance provides cover up to £5m on any one claim

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Notes to the Financial Statements

For the year ended 31 August 2012

13 Tangible Fixed Assets

	The Group	Total 31st August 2012			Total 31st August 2012
	Land and Buildings £'000	Furniture and Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	£'000
Cost					
At 1 September 2011	187	1 694	2 698	69	4,648
At 1 September 2011 restated*	22 957	0	0	0	22,957
Transfers In	65 252	0	0	0	65,252
Additions	605	448	4,052	3	5,108
At 31 August 2012	89 001	2 142	6 750	72	97,965
Depreciation					
At 1 September 2011	75	576	1 627	29	2,307
At 1 September 2011 restated*	451	0	0	0	451
Charged in year	3 070	429	1 314	13	4 826
At 31 August 2012	3 596	1 005	2 941	42	7,584
Net book values					
At 31 August 2011 (Restated)	22 618	1 118	1 071	40	24,847
At 31 August 2012	85 405	1 137	3 809	30	90,381

The Charity

	Land and Buildings £'000	Furniture and Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total 31st August 2012 £'000
Cost					
At 1 September 2011	187	1 694	2 698	69	4 648
At 1 September 2011 restated*	22 957	0	0	0	22,957
Transfers In	64 052	0	0	0	64,052
Additions	0	287	4 087	3	4,377
Disposals	0	0	0	0	0
At 31 August 2012	87 196	1 981	6 785	72	96,034
Depreciation					
At 1 September 2011	75	576	1 627	29	2,307
At 1 September 2011 restated*	451	0	0	0	451
Charged in year	3 160	411	1 254	13	4,838
Disposals	0	0	0	0	0
At 31 August 2012	3 686	987	2 881	42	7,596
Net book values					
At 31 August 2011 (Restated)	22 618	1 118	1 071	40	24,847
At 31 August 2012	83 510	994	3 904	30	88,438

*The Trent Valley Academy opened on 1 September 2008 and moved into a new building on 1 September 2009. The Academy occupies the building under a long term lease agreement. Accordingly the opening funds have been increased to reflect the value of these land and buildings to account for transactions under UK Accounting Standards.

14 Stock

	Group Total 31st August 2012 £'000	Group Total 31st August 2011 £'000	Charity Total 31st August 2012 £'000	Charity Total 31st August 2011 £'000
Clothing	31	0	31	0
	31	0	31	0

15 Debtors

	Group Total 31st August 2012 £'000	Group Total 31st August 2011 £'000	Charity Total 31st August 2012 £'000	Charity Total 31st August 2011 £'000
Trade Debtors	1 083	738	1 083	738
Prepayments & Accrued Income	4 912	342	4 560	342
VAT Due from HMRC	762	794	634	794
Inter Company Debtor	0	0	167	0
Other & trade debtors	513	705	477	705
	7 270	2 579	6 921	2 579

16 Creditors amounts falling due within one year

	Group Total 31st August 2012 £'000	Group Total 31st August 2011 £'000	Charity Total 31st August 2012 £'000	Charity Total 31st August 2011 £'000
Trade Creditors	2 562	1 255	2 238	1 255
Other taxation and social security	1 031	1 052	1 024	1 052
Other & Trade creditors	2 970	819	2 970	819
VAT Clawback from EFA	0	937	0	937
Accruals and deferred income	4 884	4 382	4 884	4 382
	11 447	8 445	11 116	8 445

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Notes to the Financial Statements

For the year ended 31 August 2012

	Total 31st August 2012 £'000
Deferred income	
Deferred income at 1 September 2011	402
Resources deferred in year	484
Amounts released from previous years	(402)
Deferred income at 31 August 2012	<u>484</u>

Deferred income is income received in the reported financial year which is intended for use within a future year. The deferred income balance at the end of the financial year was due to the academy trust holding funds received in advance for the Bursary Fund grant and lettings booked in advance.

17 Funds

	As Reported in Prior Year Financial Statements	Restated Note 27	The Group Restated Balance at 1st September 2011 £'000	Transfer in during year £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses and Transfers £'000	Balance at 31st August 2012 £'000
Restricted general funds								
General Annual Grant (GAG)	2 379	0	2 379	0	79 718	(78 721)	(2 107)	1,269
Start Up Grant	1 001	0	1 001	0	4 546	(3 858)	0	1,689
Other DfE/YPLA grants	1	0	1	0	6 675	(6 337)	0	339
Other Government Grants	1 107	0	1 107	0	0	0	0	1,107
Pension Reserve	(7 594)	0	(7 594)	(3 241)	0	(495)	(2 230)	(13,560)
	<u>(3 106)</u>	<u>0</u>	<u>(3 106)</u>	<u>(3 241)</u>	<u>90,939</u>	<u>(89 411)</u>	<u>(4 337)</u>	<u>(9 166)</u>
Restricted fixed asset funds								
DfE/YPLA capital grants	605	0	605	65 252	5 239	(4 826)	2 107	68,377
DfE/YPLA capital grants restated*	0	22 506	22 506	0	0	0	0	22,506
	<u>605</u>	<u>22 506</u>	<u>23 111</u>	<u>65 252</u>	<u>5 239</u>	<u>(4 826)</u>	<u>2 107</u>	<u>90,883</u>
Total restricted funds	<u>(2 501)</u>	<u>22 506</u>	<u>20 005</u>	<u>62 011</u>	<u>96 178</u>	<u>(94 237)</u>	<u>(2 230)</u>	<u>81,727</u>
Unrestricted funds								
Unrestricted funds	271	0	271	245	3 500	(3,469)	0	550
Total unrestricted funds	<u>271</u>	<u>0</u>	<u>271</u>	<u>245</u>	<u>3 500</u>	<u>(3 469)</u>	<u>0</u>	<u>550</u>
Total funds	<u>2 230</u>	<u>22 506</u>	<u>20 276</u>	<u>62 256</u>	<u>99 678</u>	<u>(97 706)</u>	<u>(2 230)</u>	<u>82,277</u>

* Restatement for Trent Valley

	As Reported in prior year financial statements £'000	Restated Note 27 £'000	The Charity Restated Balance at 1st September 2011 £'000	Transfer in during year £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses and Transfers £'000	Balance at 31st August 2012 £'000
Restricted general funds								
General Annual Grant (GAG)	2 379	0	2 379	(1 603)	79 158	(78 221)	0	1 711
Start Up Grant	1 001	0	1 001	0	4 347	(3 659)	0	1,689
Other DfE/YPLA grants	1	0	1	0	6 675	(6 334)	0	342
Other Government Grants	1 107	0	1 107	0	0	0	0	1,107
Pension Reserve	(7 594)	0	(7 594)	(3 241)	0	(495)	(2 226)	(13,556)
	<u>(3 106)</u>	<u>0</u>	<u>(3 106)</u>	<u>(4 844)</u>	<u>90 178</u>	<u>(88 709)</u>	<u>(2 226)</u>	<u>(8,707)</u>
Restricted fixed asset funds								
DfE/YPLA capital grants	605	0	603	65 655	4 366	(4 694)	0	68,930
DfE/YPLA capital grants restated	0	22 506	22 508	0	0	0	0	22,508
	<u>605</u>	<u>22 506</u>	<u>23 111</u>	<u>65 655</u>	<u>4 366</u>	<u>(4 694)</u>	<u>0</u>	<u>88,438</u>
Total restricted funds	<u>(2 501)</u>	<u>22 506</u>	<u>20 005</u>	<u>60 811</u>	<u>94 544</u>	<u>(93 403)</u>	<u>(2 226)</u>	<u>79,731</u>
Unrestricted funds								
Unrestricted funds	271	0	271	0	3 711	(3 432)	0	550
Total unrestricted funds	<u>271</u>	<u>0</u>	<u>271</u>	<u>0</u>	<u>3 711</u>	<u>(3 432)</u>	<u>0</u>	<u>550</u>
Total funds	<u>2 232</u>	<u>22 506</u>	<u>20 276</u>	<u>60 811</u>	<u>98 255</u>	<u>(96 835)</u>	<u>(2 226)</u>	<u>80,281</u>

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Fund balances at 31 August 2012 are represented by

	The Group			Balance at	
	Unrestricted Funds	Restricted General funds	Restricted Fixed Asset Funds	31st August 2012	Balance at 31st August 2011
	£ 000	£ 000	£ 000	£ 000	£ 000
Tangible Fixed Assets	0	0	90 381	90,381	24,847
Current assets	1 682	14 719	502	16,903	11,468
Current liabilities	(1 132)	(10 315)	0	(11,447)	(8,445)
Pension scheme liability	0	(13 560)	0	(13 560)	(7,594)
Total net assets	550	(9 156)	90 883	82,277	20,276

	Charity			Balance at	
	Unrestricted Funds	Restricted General funds	Restricted Fixed Asset Funds	31st August 2012	Balance at 31st August 2011
	£ 000	£ 000	£ 000	£ 000	£ 000
Tangible Fixed Assets	0	0	88 438	88,438	24,847
Current assets	1 682	14 833	0	16,516	11,468
Current liabilities	(1 132)	(9 984)	0	(11 116)	(8,445)
Pension scheme liability	0	(13 556)	0	(13,556)	(7,594)
Total net assets	550	(8 707)	88 438	80,281	20 276

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Notes to the Financial Statements

For the year ended 31 August 2012

18 Financial commitments

Operating Leases

At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows

	Group	Group	Charity	Charity
	Total	Total	Total	Total
	31st August	31st August	31st August	31st August
	2012	2011	2012	2011
	£ 000	£ 000	£'000	£'000
<u>Land and buildings</u>				
Expiring within one year	277	0	231	0
Expiring within two and five years inclusive	216	66	0	0
Expiring in over five years	22	216	22	66
	<u>515</u>	<u>282</u>	<u>253</u>	<u>66</u>
<u>Other</u>				
Expiring within one year	587	149	539	41
Expiring within two and five years inclusive	176	707	157	429
Expiring in over five years	3	0	1	0
	<u>766</u>	<u>856</u>	<u>697</u>	<u>470</u>

Note

The Land and Buildings lease is for portacabins at the E-ACT Winsford Academy and Oldham Academies as well as a lease for St Matthews Nursery at Heartlands Academy. E-ACT also has gifted leases on other academies for which the Group pays a peppercorn rate.

	Group	Group
	Total	Total
	31st August	31st August
	2012	2011
	£ 000	£ 000
19 Reconciliation of net income to net cash inflow from operating activities		
Net incoming / (outgoing) resources	64 231	(2 121)
less Fixed Assets Transferred In	(65 252)	0
Budget Surplus on LA funds	(245)	0
less Pension Liability Transferred In	3 241	1 705
Depreciation (note 7)	4 826	1 308
Capital grants from DfE and other capital income	(5 239)	(555)
Interest receivable (note 5)	(37)	(25)
FRS 17 pension cost less contributions payable (note 25)	443	655
(Increase)/decrease in stocks	(31)	0
(Increase)/decrease in debtors	(4 859)	105
Increase/(decrease) in creditors	3 160	3 088
Net cash inflow from operating activities	<u>689</u>	<u>4 160</u>
20 Returns on investments and servicing of finance		
Interest received	37	25
Net cash inflow from returns on investment and servicing of finance	<u>37</u>	<u>25</u>
21 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5 252)	(603)
Capital grants from DfE/EFA	5 239	561
Net cash inflow from capital expenditure and financial investment	<u>(13)</u>	<u>(42)</u>

22 Analysis of changes in net funds

	Group		At
	At 1st	Cash flows	31st August
	August 2011		2012
	£'000	£'000	£ 000
Cash in hand and at bank	8 889	713	9 602
	<u>8 889</u>	<u>713</u>	<u>9 602</u>

23 Members Liability

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

Notes to the Financial Statements

For the year ended 31 August 2012

24 Related Party Transactions

Trustees' may from time to time undertake consultancy work for E-ACT
In all such cases this work would be approved by the Board before it
commences All payments to trustees are disclosed on Note 11

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Notes to the Financial Statements

For the year ended 31 August 2012

25a Pension and similar obligations

Academy and Free School employees belong to two principal pension schemes: the Teachers' Pension Scheme England & Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by a number of local authorities (see schedule below). 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 was 31 March 2004 and of the LGPS 31 March 2010 (main funds). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme.

The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their 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' Pension 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.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

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 £166.5 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163.2 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%.

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Notes to the Financial Statements

For the year ended 31 August 2012

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 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

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 and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust 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 and the implications for the academy in terms of the anticipated contribution 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 year ended 31 August 2012 was £2,578,000, of which employer's contributions totalled £1,888,000 and employees' contributions totalled £690,000. For the agreed contribution rates for future years please see list at end of note.

Principal Actuarial Assumptions

	31st August 2012 Range Top	31st August 2012 Range Bottom	31st August 2011 Range Top	31st August 2011 Range Bottom
Rate Of Increase Salary	4.50%	3.70%	5.20%	4.40%
Rate of increase for pension in payment/inflation	2.30%	1.90%	3.00%	2.60%
Discount rate for scheme liabilities	4.10%	4.50%	4.90%	5.50%
Inflation assumption (CPI)	2.30%	-	3.00%	2.60%

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

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Notes to the Financial Statements

For the year ended 31 August 2012

	31st August 2012 Range Top	31st August 2012 Range Bottom	31st August 2011 Range Top	31st August 2011 Range Bottom
Retiring Today				
Males	23.8	20	23.8	20.3
Females	26.6	22.9	26.6	22.9
Retiring in 20 years				
Males	25.6	22.0	25.6	22.4
Females	28.6	24.7	28.6	25.0

Academy Analysis.

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

	Expected Return		Fair Value	Expected Return		Fair Value
	31st August 2012 Range Top	31st August 2012 Range Bottom	31st August 2012 £000's	31st August 2011 Range Top	31st August 2011 Range Bottom	31st August 2011 £000's
Equities	7.50%	5.50%	13,186	7.70%	6.80%	9,588
Bonds	5.90%	2.80%	3,577	4.60%	3.70%	2,524
Property	7.00%	3.70%	1,553	7.20%	4.80%	1,330
Cash	3.00%	0.50%	724	3.90%	0.50%	474
Private Equity	10.00%	0.00%	1,373	12.70%	0.00%	648
Total Market Value of Assets			20,413			14,564
Present Value of Scheme Liabilities - Funded			(33,969)			(22,158)
Surplus/Deficit in the Schemes			(13,556)			(7,594)

The overall expected rate of return is based on the reports provided by the scheme Actuaries

The actual return on scheme assets was £1,403,000 (2011 £761,000)

	2012 £000s	2011 £000s
Amount recognised in the statement of financial activities		
Current service cost (net of employee contributions)	2,014	2,138
Past Service Cost	51	0
Total Operating cost	2,065	2,138

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Notes to the Financial Statements

For the year ended 31 August 2012

	2012 £000s	2011 £000s
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	1,102	845
Interest on pension liabilities	(1,417)	(1,124)
Pension finance income / (costs)	<u>(315)</u>	<u>(279)</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS17 is a £990,000 loss this year (2011 £796,000 gain), and cumulatively £194,000 loss.

	2012 £000's	2011 £000's
Movements in the present value of defined benefit		
At 1 September	22,158	17,130
Current service cost	2,014	2,138
Interest cost	1,417	1,124
Employee contributions	2,526	631
Actuarial (gain) / Loss	690	(3,424)
Benefits paid	(222)	(126)
Past Service cost	51	6
Curtailments and settlements	3	0
Transfer in from new academies	5,332	4,679
At 31 August	<u>33,969</u>	<u>22,158</u>

	2012 £000's	2011 £000's
Movements in fair value academy shares of scheme assets		
At 1 September	14,564	9,309
Expected return on assets	1,102	845
Actuarial (gain) / loss	300	(831)
Employer contributions	1,888	1,762
Employee contributions	690	631
Benefits paid	(222)	(126)
Transfer in from new academy	2,091	2,974
At 31 August	<u>20,413</u>	<u>14,564</u>

The estimated value of employer contributions for the year ended 31 August 2013 is £1,967,296

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Notes to the Financial Statements

For the year ended 31 August 2012

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

	2012 £000's	2011 £000's	2010 £000's	2009 £000's
Present value of defined benefit obligations	(33,969)	(22,158)	(17,130)	(1,961)
Fair value of share of scheme assets	20,413	14,564	9,309	1,236
Deficit in scheme	<u>(13,556)</u>	<u>(7,594)</u>	<u>(7,821)</u>	<u>(725)</u>
Experience adjustments on share of scheme	301	(1,611)	126	(167)
Experience adjustments on scheme liabilities	(231)	1,354	30	(230)

Data for the table above is not available for 2008

Scheme managers	Employers Contributions %
London Borough of Brent Pension Fund	26 90
South Yorkshire Pension Fund	10 70
Devon County Council Pension Fund	19 70
West Midlands Pension Fund Shenley academy	16 20
West Midlands Pension Fund Heartlands Academy	12 80
West Midlands Pension Fund North Birmingham Academy	11 10
Cheshire Pension Fund	19 90
Lincolnshire County Council Pension Fund	14 15
West Yorkshire Pension Fund Leeds East Academy	14 50
West Yorkshire Pension Fund Leeds West academy	11 30
Avon Pension Fund Illminster Academy	15 00
Avon Pension Fund St Ursulas Academy	11 80
Greater Manchester Pension Fund Oldham Academy	16 80
Greater Manchester Pension Fund Blackley Academy	15 60
Buckinghamshire County Council Pension Fund	22 80
Wolverhampton County Council Pension Fund	10 80

Whole-time equivalent pay bands from April 2012 - LGPS Employee contribution rate (%)

1	Up to £13,500	5 5
2	£13,501 to £15,800	5 8
3	£15,801 to £20,400	5 9
4	£20,401 to £34,000	6 5
5	£34,001 to £45,500	6 8
6	£45,501 to £85,300	7 2
7	More than £85,300	7 5

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Notes to the Financial Statements

For the year to 31 August 2012

25b Pension and similar obligations (in respect to E-ACT Free Schools Trust)

Free School employees belong to two pension schemes the Teachers' Pension Scheme England & Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Redbridge. 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 was 31 March 2004 and of the LGPS 31 March 2010 (main funds). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme.

The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their 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' Pension 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.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

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 £166.5 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163.2 million.

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Notes to the Financial Statements

For the year to 31 August 2012

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%.

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 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

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 and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust 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 and the implications for the academy in terms of the anticipated contribution 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 year ended 31 August 2012 was £22,176, of which employer's contributions totalled £13,458 and employees' contributions totalled £8,719. For the agreed contribution rates for future years please see list at end of note.

Principal Actuarial Assumptions

	31st August 2012
Rate Of Increase Salary	4.00%
Rate of increase for pension in payment/inflation	2.20%
Discount rate for scheme liabilities	4.30%
Inflation assumption (CPI)	2.20%
Commutation of pension to lump sum	0.00%

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

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Notes to the Financial Statements

For the year to 31 August 2012

	31st August 2012
Retiring Today	
Males	21 9
Females	24 7
Retiring in 20 years	
Males	23 8
Females	26 5

The academy's share of the assets and liabilities in the scheme and the expected rates of return as at 31st August 2012 were -

	Expected Return	Fair Value
Equities	5 50%	11
Bonds	3 20%	9
Property	3 70%	1
Cash	2 80%	1
Total Market Value of Assets		22
Present Value of Scheme Liabilities - Funded		(26)
Surplus/Deficit in the Schemes		(4)

The overall expected rate of return is based on the reports provided by the scheme Actuaries

The actual return on scheme assets was £1,000

Amount recognised in the statement of financial activities

	2012 £000s
Current service cost (net of employee contributions)	17
Total Operating cost	17

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	(1)
Interest on pension liabilities	1
Pension finance income / (costs)	0

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £4,000

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Notes to the Financial Statements

For the year to 31 August 2012

Movements in the present value of defined benefit

	£000s
Current service cost	17
Interest cost	1
Employee contributions	5
Actuarial (gain)/ Loss	3
At 31 August	<u>26</u>

Movements in fair value academy shares of scheme assets

	£000s
Expected return on assets	1
Actuarial (gain) / loss	1
Employer contributions	15
Employee contributions	5
At 31 August 2012	<u>22</u>

The estimated value of employer contributions for the year ended 31 August 2013 is £16,640

Scheme managers -	Employers Contributions %
London Borough Of Redbridge Pension Fund	18.2

Whole-time equivalent pay bands from April 2012	LGPS Employee contribution rate (%)
1 Up to £13,500	5.5
2 £13,501 to £15,800	5.8
3 £15,801 to £20,400	5.9
4 £20,401 to £34,000	6.5
5 £34,001 to £45,500	6.8
6 £45,501 to £85,300	7.2
7 More than £85,300	7.5

Notes to the Financial Statements

For the year ended 31 August 2012

26 Conversion of Schools to the Academy Trust

Eight academies converted to an academy trust between 1 September 2011 and 31 August 2012 under the Academies Act 2010, and all the operations and assets and liabilities were transferred to E-ACT at a net asset value of £62.3million

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net resources expended in the Statement of Financial Activities.

The following table sets out the fair values of the identifiable assets and liabilities transferred and as an analysis of their recognition in the SOFA

	Unrestricted	Restricted	Restricted	31st August	31st August
	Funds	General	Fixed Asset	2012	2011
	£000	£000	£000	Total	Total
The Charity					
Tangible fixed assets	0	0	64,052	64,052	0
Budget surplus on LA funds	245	0	0	245	0
LGPS pension (deficit)	0	(3,241)	0	(3,241)	(1,705)
Total net assets/(liabilities)	245	(3,241)	64,052	61,056	(1,705)

	Unrestricted	Restricted	Restricted	31st August	31st August
	Funds	General	Fixed Asset	2012	2011
	£000	£000	£000	Total	Total
The Group					
Tangible fixed assets	0	0	65,252	65,252	0
Budget surplus on LA funds	245	0	0	245	0
LGPS pension (deficit)	0	(3,241)	0	(3,241)	(1,705)
Total net asset/ (liabilities)	245	(3,241)	65,252	62,256	(1,705)

As part of the transfer the following buildings were leased to the Trust at a peppercorn rent

	Market
	Rents
	£000
Academies	400

These market rents have been calculated by Pulse Associates, an independent valuer and have been accounted for as a gift in kind

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Notes to the Financial Statements

For the year ended 31 August 2012

Note 27 Reconciliation of Prior Year Adjustments

	As Reported 31 August 2011 £'000	Note 1 Activities from generating funds £'000	Note 2 Gifted Assets £'000	Note 3 Pension £'000	Restated 31 August 2011 £'000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	87		0	0	87
Activities for generating funds	206	2,029	0	0	2,235
Investment income	25		0	0	25
<i>Incoming resources from charitable activities</i>					
Funding for the Academy's educational operations	76,996	(2,029)	390	0	75,357
Total incoming resources	77,314	0	390	(1,705)	77,704
Resources expended					
<i>Cost of generating funds</i>					
Costs of generating voluntary income	154	0	0	0	154
Fundraising trading	0	0	0	0	0
<i>Charitable activities</i>					
Academy's educational operations	77,417	0	843	0	78,260
<i>Governance costs</i>	159	0	0	0	159
<i>Exceptional Expenditure</i>					
Transfer of assets/liabilities from incoming schools	0	0	0	1,705	(1,705)
Total resources expended	77,730	0	843	1,705	80,278
Net incoming / (outgoing) resources before transfers including net income/(expenditure)	(416)	0	(453)	(1,705)	(2,574)
Other recognised gains and losses					
Pension deficit acquired on transfer in of academies	(1,705)	0	0	1,705	0
Actuarial (losses) gains on defined benefit pension schemes	2,593	0	0	0	2,593
Net movement in funds	472	0	(453)	0	19
Reconciliation of funds					
Funds brought forward at beginning of year	(2,702)	0	22,959	0	20,257
Funds carried forward at end of year	(2,230)	0	22,506	0	20,276

Note 1 – the Group has identified that an element of grant amounting to £2,029,000 received in 2012 did not relate to the charitable activities of the group and should more appropriately be classified as Incoming resources from Generated Fund

Note 2 - the Trust has a number of academies who benefit from the use of land and buildings under a lease agreement for which it is charged a peppercorn rent. In accordance with the Charty SORP, the group is required to make an assessment of the nature of the lease as either operating or financing and then record it in the financial statements as a gift at the value to the group. The group has identified that one lease entered into in 2009 is a finance lease in nature, the balance sheet has therefore been restated to include this as a fixed asset at fair value of £22,959,000 with a corresponding adjustment to opening fixed asset restricted funds. Against this, depreciation of £451,000 has been charged on this property for the year ended 31 August 2011. The remaining leases including those entered into during the year are operating in nature and therefore are recorded in the statement of income and expenditure at a notional market rent of £390,000 together with a corresponding donation.

Note 3 - in relation to the new schools that joined the group as academies during the year ended 31 August 2011, the transfer in of the net liability on the pension scheme was previously charged as an 'Other recognised gain and loss'. The EFA Accounts Direction requires these amounts to be recognised in the Statement of Income & Expenditure as an 'Other Resources Expended' and the balance of £1,705,000 has been reallocated accordingly. There was no impact on retained funds brought forward.

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Notes to the Financial Statements

As at year ended 31 August 2012

Note 27 Reconciliation of Prior Year Adjustments (continued)

		As Reported	As Reported		Restated	Restated
		31st August	31st August		31st August	31st August
	Notes	2011	2011	Notes 1-3	2011	2011
		£'000	£'000	£'000	£'000	£'000
Fixed assets						
Tangible Assets	13			2,341	22,506	24,847
Current assets						
Debtors	15		2,579			2,579
Cash at bank and in hand			8,889			8,889
			11,468			11,468
Creditors Amount falling due within one year	16		(8,445)			(8,445)
Net current assets				3,023	0	3,023
Total assets less current liabilities				5,364	22,506	27,870
Net assets excluding pension liability				5,364	22,506	27,870
Pension scheme liability	23			(7,594)	0	(7,594)
	17					
Net assets including pension liability				(2,230)	22,506	20,276
Funds of academy						
Restricted funds						
Fixed asset fund(s)	17			605	22,506	23,111
General fund(s)	17			4,488	0	4,488
Pension reserve	17			(7,594)	0	(7,594)
Total restricted funds				(2,501)	22,506	20,005
Unrestricted funds						
General fund(s)	17			271	0	271
Pension reserve	17			0	0	0
Total unrestricted funds				271	0	271
Total funds				(2,230)	22,506	20,276