

Company Number: 06724508

Charity Number: 1139447

AREA 51 EDUCATION LIMITED

Report and Accounts

for the period ended 31 July 2016

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AREA 51 EDUCATION LIMITED

Report and Accounts

for the period ended 31 July 2016

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The following pages do not form part of the statutory accounts:

15 and 16 Detailed Income and Expenditure Account

AREA 51 EDUCATION LIMITED

Company Information

Company Number: 06724508

Charities Number: 1139447

Registered Office

1 Mallard Place
Coburg Road
London
N22 6TS

Trustees and Directors

Dr M Griffiths – Chairman and Secretary
Mr D Stansell – Treasurer
Ms S Foster
Mr A Day

Senior Staff

Miss N Quarterman

Auditors

Dickinsons
Enterprise House
Beeson's Yard
Bury Lane
Rickmansworth
Hertfordshire
WD3 1DS

Bankers

National Westminster Bank Plc
PO Box 4115
Essex
RM12 4DF

AREA 51 EDUCATION LIMITED

Trustees' (Directors') Annual Report

for the period ended 31 July 2016

Trustees' Annual Report

The trustees submit their report together with the audited accounts for the period ended 31 July 2016.

The accounts have been prepared in accordance with the Companies Act 2006, the Charities Act 2011, and Statement of Recommended Practice for Charity Accounts (SORP – FRSSSE 2015) and with the Financial Reporting Standard for Smaller Entities (FRSSE January 2015). This report is also a directors' report as required by the Companies Act 2006, as all trustees are directors.

Structure, Governance and Management

The charity is constituted as a company, limited by guarantee, it does not have any share capital and it is governed by its Memorandum and Articles of Association.

The management of the charity is the responsibility of the trustees who are also appointed Directors of the company. New trustees are appointed on the recommendation of existing trustees and who are deemed to have appropriate experience and knowledge for the role.

There are no formal procedures for inducting new trustees, however, any new trustee appointed would be practically aware of the work undertaken by the Charity and support is always provided by the founding trustees.

Details of related party transactions, where applicable, can be found in the notes to the accounts.

The day to day running of the charity is undertaken by a senior staff member, Miss N Quarterman. Trustees meet on a regular basis to discuss performance and set targets for longer term goals.

Objectives and Activities

Area 51 Education Limited is a charitable organisation whose aims are:

1. To advance the education of people with learning difficulties and disabilities in the development of functional skills for life and work.
2. The elimination of discrimination on the basis of learning and/or physical disability.
3. The promotion of social inclusion among people with learning and/or physical disabilities and their families who are socially excluded from society or part of society as a result of their disabilities by:
 - i) Raising public awareness of the issues affecting people with learning and/or physical disabilities and their families, and;
 - ii) Providing a positive model for continuing education for people with learning and/or physical disabilities after compulsory school-leaving age.
4. To advance in life and help young people with learning and/or physical disabilities through providing support and activities which develop their skills, capacities and capabilities to enable them to participate in society as independent, mature and responsible individuals.
5. To act as a resource for people with learning and/or physical disabilities living in the area of London by providing advice and assistance and organising programmes of physical, education and other activities by advancing education and relieving unemployment.
6. Providing recreational and leisure time activity in the interests of social welfare for people living within the area of benefit who have need by reason of their age, infirmity or disability, poverty or social and economic circumstances with a view to improving the conditions of life of such persons.
7. To promote the social and economic inclusion, for the public benefit, of people with learning and/or physical disabilities who are excluded as a result of their disability by providing opportunities for the development of employment in social enterprise companies.

AREA 51 EDUCATION LIMITED

Trustees' (Directors') Annual Report

for the period ended 31 July 2016

In shaping our objectives and planning our activities, the trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit and have complied with section 4 of the Charities Act 2011.

The trustees consider that the charity exists for the purpose of the local public benefit within the North London Boroughs of Haringey, Hackney, Tower Hamlets, Enfield, Barnet, Waltham Forest, Islington and Camden.

Risk Assessment

In order to comply with the Statement of Recommended Practice for Charity Accounts (Charities SORP - FRSE) a review of the major risks to which the charity is exposed and the systems that have to be established to mitigate those risks has been carried out. The review considered external factors and procedures that have been put in place to rectify those areas of potential vulnerability. These are monitored on an ongoing basis.

Achievements and Performance

In 2015-16, the Charity expanded again following a major review of the curricula offered to enrolled learners and some substantial changes to the way in which education is delivered to our learners were introduced during the prior year. The number of learners enrolled increased to 63 whilst the staff and team increased to 49.

Several young people completed successful work placements during the period and the Charity has continued its participation in a national programme led by another Independent Specialist College to further increase the number of young people with severe learning disabilities to enable access to work placements.

Future Developments and Strategies

In the next 12 months, the trustees anticipate a significant rise in new applicants and fewer learners leaving the Charity's services. There will be a need to identify alternative premises as soon as possible.

Financial Review

The Statement of Financial Activities for the period is set out on page 5 of the accounts.

Funds spent creating new classrooms last year have allowed the Charity to increase its capacity and utilise the space available. Income from full time courses has remained fairly consistent at £880,765 for the 16 months to 31 July 2016 (2015: £673,386 - 12 months).

Owing to its status as an Independent Specialist Provider, the charity received grants from the Education Funding Agency during the period amounting to £952,314 (2015: £488,579).

Costs have increased in the period mainly in relation to staff, which is the charity's core cost in meeting its objectives; these have increased from £891,045 in the prior year to £1,267,131 for this 16 month period.

A provision of £30,000 has been made for dilapidation costs on the current premises as it is intended to relocate in the near future.

The results show a surplus for the period of £15,415 (2015: £105,206 deficit).

Statement of Trustees' Responsibilities

Company law requires the trustees, to prepare accounts for each financial period, which give a true and fair view of the state of affairs of the company and of the deficit for that period. In preparing those accounts the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

AREA 51 EDUCATION LIMITED

Trustees' (Directors') Annual Report

for the period ended 31 July 2016

The trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure the accounts have been properly prepared in accordance with the provisions of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the trustees' are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Legal and Administrative Information

The company is limited by guarantee and has no share capital.

Under the provisions of the company's memorandum of association, each member would be required to contribute a sum not exceeding £1 for the payment of the debts of the company in the event of a deficiency of assets on a winding up of the company.

The company is a registered charity under the Charities Act 2011 with registration number 1139447.

Reserves Policy

The Trustees have established a policy to maintain a level of reserves sufficient to secure a mortgage on a suitable, long term premises.

Trustees and Directors

The trustees, and also directors, who served during the period, were as follows:

Dr M Griffiths	
Ms A Masson	(Resigned 31 January 2016)
Mr A Day	(Appointed 25 May 2016)
Ms S Foster	(Appointed 25 May 2016)
Mr D Stansell	(Appointed 25 May 2016)

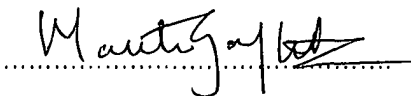
Auditors

The Auditors, Dickinsons Chartered Accountants have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

Exemption Statement

The accounts have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

By Order of the Board:



Dr M Griffiths
Trustee and Director

Date: 23/03/2017

AREA 51 EDUCATION LIMITED

Auditors' Report to the Trustees

for the period ended 31 July 2016

We have audited the accounts of Area 51 Education Limited for the period ended 31 July 2016 set out on pages 5 to 14, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These accounts have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2015).

Respective responsibilities of the trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities (set out on page 2 and 3), the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

The trustees have elected for the accounts to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly we have been appointed as auditor under section 145 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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

Scope of the audit of the accounts

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

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its surplus for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the accounts; or
- the charitable company has not kept adequate accounting records; or
- the accounts are not in agreement with the accounting records or returns or
- we have not received all the information and explanations we require for our audit.


James Birch (Senior statutory auditor)
for and on behalf of Dickinsons, Statutory Auditor

Enterprise House
Beeson's Yard
Bury Lane
Rickmansworth
Hertfordshire
WD3 1DS

29 March 2017
Date

AREA 51-EDUCATION LIMITED

Statement of Financial Activities

for the period ended 31 July 2016

		Unrestricted Funds	Restricted Funds	Period Ended 31 July 2016 Total Funds	Year Ended 31 March 2015 Total Funds
	Notes	£	£	£	£
Incoming Resources from:					
Charitable activities	4	1,862,095	-	1,862,095	1,171,106
Donations	5	9,488	15,335	24,823	61,805
Investment income	6	510	-	510	781
Total Incoming Resources		<u>1,872,093</u>	<u>15,335</u>	<u>1,887,428</u>	<u>1,233,692</u>
Resources Expended from:					
Costs of charitable activities	7	1,853,144	13,836	1,866,980	1,334,687
Other resources expended	9	5,033	-	5,033	4,211
Total Resources Expended		<u>1,858,177</u>	<u>13,836</u>	<u>1,872,013</u>	<u>1,338,898</u>
Net Movement in Funds	17	13,916	1,499	15,415	(105,206)
Total funds at 1 April 2015		350,281	49,411	399,692	504,898
Total funds at 31 July 2016		<u><u>364,197</u></u>	<u><u>50,910</u></u>	<u><u>415,107</u></u>	<u><u>399,692</u></u>

The notes on pages 7 to 14 form part of these accounts.

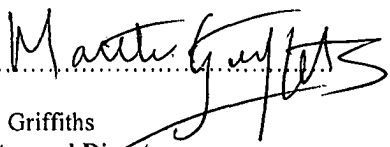
Balance Sheet

as at 31 July 2016

	Notes	As at 31 July 2016	As at 31 March 2015
		£	£
Fixed Assets			
Tangible fixed assets	12	80,145	105,083
Current Assets			
Debtors	13	184,113	441,744
Cash at bank and in hand		308,722	177,919
		<u>492,835</u>	<u>619,663</u>
Creditors:			
Amounts falling due within one year	14	(139,172)	(297,286)
Net current assets		<u>353,663</u>	<u>322,377</u>
Total assets less current liabilities		<u>433,808</u>	<u>427,460</u>
Creditors:			
Amounts falling due after more than one year	15	(18,701)	(27,768)
		<u>415,107</u>	<u>399,692</u>
Funds of the Charity			
Restricted Income Funds	17	50,910	49,411
Unrestricted Income Funds	17	364,197	350,281
Total funds		<u>415,107</u>	<u>399,692</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standards for Smaller Entities (effective January 2015).

These accounts were approved by the board on 23/03/2017


Dr M Griffiths
Trustee and Director

The notes on pages 7 to 14 form part of these accounts.

AREA 51 EDUCATION LIMITED

Notes forming part of the Accounts

for the period ended 31 July 2016

1 Principal Accounting Policies

Accounting Convention

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006, Financial Reporting Standards for Smaller Entities (effective January 2015), Statement of Recommended Practice, accounting and reporting by Charities, applicable accounting standards. The accounts include the results of the charity's operations which are described in the Trustees' Annual Report.

Incoming Resources

Total incoming resources as shown in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Resources Expended

Expenditure is accounted for on an accruals basis, recognised when a liability is incurred, and classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Depreciation

Tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	-straight line over the lease term
Plant and machinery	-25% on written down value
Fixtures and fittings	-25% on written down value
Motor vehicles	-25% on written down value

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Fund Accounting - Unrestricted Funds

Unrestricted funds are those which are available for use at the discretion of the Trustees in the furtherance of the general objectives of the charity and which have not been designated for other purposes.

Investment income, gains and losses are allocated to the appropriate fund.

Fund Accounting - Restricted Funds

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is allocated to the fund.

Pension Contributions

Retirement benefits to the employees of the company are provided by the Teachers' Pension Scheme ('TPS'). This is a defined benefit scheme and the assets are held separately from those of the company.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 20, the TPS is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

2 Ethical Standard - Provisions available for small entities

In common with many other businesses of our size and nature we use our auditors to assist with the preparation of the accounts.

AREA 51 EDUCATION LIMITED

Notes forming part of the Accounts

for the period ended 31 July 2016

3 Turnover

The turnover and operating surplus for the period was derived from the company's principal activity and arises solely in the United Kingdom.

4 Incoming Resources from Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Full time courses	880,765	-	880,765	673,386
Education Funding Agency	952,314	-	952,314	488,579
Learner Transport Recovery	29,016	-	29,016	9,141
	<u>1,862,095</u>	<u>-</u>	<u>1,862,095</u>	<u>1,171,106</u>

5 Incoming Resources from Donations

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Donations	<u>9,488</u>	<u>15,335</u>	<u>24,823</u>	<u>61,805</u>

6 Investment Income

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Bank interest received	<u>510</u>	<u>-</u>	<u>510</u>	<u>781</u>

AREA 51 EDUCATION LIMITED

Notes forming part of the Accounts

for the period ended 31 July 2016

7 Costs of Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Equipment and general purchases	37,768	2,667	40,435	35,110
Learner transport and facilities hire	115,479	-	115,479	71,223
Staff costs including employer's NI	1,259,131	8,000	1,267,131	891,045
Subcontract labour	104,134	-	104,134	112,311
Staff training	16,603	-	16,603	6,787
Rent and service charges	122,566	-	122,566	82,500
Rates	9,569	-	9,569	6,772
Insurance	17,011	-	17,011	13,565
Light and heat	12,991	-	12,991	10,608
Cleaning	19,874	-	19,874	13,580
Repairs and maintenance	12,602	-	12,602	5,003
Dilapidation costs	30,000	-	30,000	-
Printing, postage and stationery	8,250	-	8,250	5,814
Advertising	341	-	341	1,229
Telephone charges	3,596	-	3,596	2,018
Computer running costs	2,361	-	2,361	1,757
Hire of equipment	1,887	-	1,887	-
Motor vehicle leasing	11,400	-	11,400	-
Motor running costs	7,273	-	7,273	6,716
Travelling expenses	4,606	-	4,606	6,469
Entertaining	767	-	767	977
Legal and professional fees	12,447	-	12,447	2,096
Bad and doubtful debts	6,802	-	6,802	29,838
Sundry expenses	49	-	49	387
Charitable donations	40	-	40	200
Governance costs (See note 8)	5,400	-	5,400	5,280
Subscriptions	2,217	-	2,217	2,208
Amortisation of leasehold improvements	17,228	3,169	20,397	17,611
Depreciation of plant and machinery	2,626	-	2,626	2,146
Depreciation of fixtures and fittings	7,696	-	7,696	5,968
Depreciation of motor vehicles	83	-	83	116
Loss/(profit) on disposal of fixed assets	347	-	347	(4,647)
	<u>1,853,144</u>	<u>13,836</u>	<u>1,866,980</u>	<u>1,334,687</u>

8 Governance Costs

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Accountancy charges	3,900	-	3,900	4,080
Audit fee	1,500	-	1,500	1,200
	<u>5,400</u>	<u>-</u>	<u>5,400</u>	<u>5,280</u>

9 Other Resources Expended

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Bank charges	2,627	-	2,627	2,114
Bank interest	752	-	752	-
Bank loan interest	1,654	-	1,654	2,097
	<u>5,033</u>	<u>-</u>	<u>5,033</u>	<u>4,211</u>

AREA 51 EDUCATION LIMITED

Notes forming part of the Accounts

for the period ended 31 July 2016

10 Staff Costs and Pensions

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Wages and salaries	1,159,905	8,000	1,167,905	818,238
Employers N.I. contributions	90,709	-	90,709	65,732
Teachers pension contributions	8,517	-	8,517	7,075
	<u>1,259,131</u>	<u>8,000</u>	<u>1,267,131</u>	<u>891,045</u>

No employee earned £60,000 or more. The average number of employees was 47 (2015: 44).

Two of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 July 2016, pension contributions for these staff amounted to £8,517 (2015: £7,075).

11 Tax on surplus on ordinary activities

The company is a registered charity and is not liable to corporation tax.

12 Tangible fixed assets

	Leasehold Improvements £	Plant and Machinery £	Fixtures and fittings £	Motor Vehicles £	Total £
Cost					
At 1 April 2015	112,694	16,048	43,590	1,895	174,227
Additions in the period	-	612	1,598	4,000	6,210
Disposals in the period	-	-	-	(1,895)	(1,895)
At 31 July 2016	<u>112,694</u>	<u>16,660</u>	<u>45,188</u>	<u>4,000</u>	<u>178,542</u>
Depreciation					
At 1 April 2015	36,839	8,745	22,011	1,549	69,144
Charge for the period	20,397	2,626	7,696	83	30,802
Eliminated on disposal	-	-	-	(1,549)	(1,549)
At 31 July 2016	<u>57,236</u>	<u>11,371</u>	<u>29,707</u>	<u>83</u>	<u>98,397</u>
Net book value					
At 31 July 2016	<u>55,458</u>	<u>5,289</u>	<u>15,481</u>	<u>3,917</u>	<u>80,145</u>
At 31 March 2015	<u>75,855</u>	<u>7,303</u>	<u>21,579</u>	<u>346</u>	<u>105,083</u>

AREA 51 EDUCATION LIMITED

Notes forming part of the Accounts

for the period ended 31 July 2016

13 Debtors

	2016 £	2015 £
Trade debtors	97,352	387,695
Other debtors	34,273	34,965
Prepayments	19,940	19,084
Accrued income	32,548	-
	<u>184,113</u>	<u>441,744</u>

Other debtors totalling £24,324 (2015: £24,324) are recoverable after more than one year.

14 Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loan instalments (secured)	6,800	6,800
Trade creditors	2,911	933
Taxation and social security	40,262	38,446
Accruals	5,400	4,800
Provision for dilapidations	30,000	-
Other creditors	53,799	246,307
	<u>139,172</u>	<u>297,286</u>

The bank loan is secured by way of a fixed and floating charge over the assets of the company.

15 Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Bank loan instalments (secured)	<u>18,701</u>	<u>27,768</u>
Bank loans repayable by instalments falling due after more than 5 years	<u>-</u>	<u>567</u>

The bank loan is secured by way of a fixed and floating charge over the assets of the company.

16 Financial commitments

At 31 July 2016 the company had annual commitments under non-cancellable operating leases as follows:

	Property	
	2016 £	2015 £
Expiry date:		
Between two and five years	<u>129,836</u>	<u>82,500</u>

AREA 51 EDUCATION LIMITED**Notes forming part of the Accounts****for the period ended 31 July 2016**

17 Reserves

	Balance at 1 April 2015 £	Movement in the period £	Balance at 31 July 2016 £
Unrestricted funds	350,281	13,916	364,197
Restricted funds	49,411	1,499	50,910
	<u>399,692</u>	<u>15,415</u>	<u>415,107</u>

18 Called up share capital

The company is limited by guarantee and has no share capital. Under the provisions of the company's memorandum of association, each member would be required to contribute a sum not exceeding £1 for the payment of debts of the company in the event of a deficiency of assets on winding up of the company.

19 Control

The charity has been controlled throughout the period by the trustees.

20 Pensions

The company's employees belong to a defined benefit scheme, the Teachers' Pension Scheme.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012.

Contributions amounting to £1,514 (2015: £708) were payable to the scheme at 31 July 2016 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014 by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic also for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Whilst members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid from public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis - these contributions along with those made by employers are credited to the Exchequer 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, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest valuation of the TPS was carried out as at 31 March 2012 in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates at 16.48% of pensionable pay
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion; and
- an employer cost cap has been set of 10.9% of pensionable pay

A copy of the valuation report and supporting documentation is on the Teachers' Pension website.

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

Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS. These changes were implemented on 1 April 2015.

AREA 51 EDUCATION LIMITED

Notes forming part of the Accounts

for the period ended 31 July 2016

20 Pensions (continued)

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

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company 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 company has set out above the information available on the scheme.