

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 August 2010**

**FOR**

**ESSA ACADEMY  
(a company limited by guarantee)**

**COMPANY REGISTERED NUMBER: 06731593**

**CHARITY REGISTERED NUMBER: 1127085**



## **ESSA ACADEMY**

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## ESSA ACADEMY

### REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISORS

#### Governors (Trustees)

\* = members of the Finance Committee

Mr Adam Umarji  
Councillor Alan Walsh  
Mr Anwer Patel \*  
Mr Craig Fishwick \*  
Mr Latif Jiva  
Councillor Madeline Murray  
Mr Steve Wild \*  
Mr Yakub Patel \*  
Mrs Bilkiss Lakh  
Miss Sarah Towers  
Dr George Holmes (appointed 8<sup>th</sup> December 2009)  
Professor Iqbal Meman (appointed 8<sup>th</sup> December 2009)

#### Senior Leadership Team

Principal	Mr Showk Badat
Deputy Principal	Mr Jeffrey Ellis
Director	Mr Abdul Chohan
Finance Director	Mr David Mole
HR Director	Ms Bernadette Sansome
Director	Ms Rona Mackenzie
Director	Ms Donna Barber
Director	Ms Gwen Grills
Assistant Director	Mr Adnan Dawes
Assistant Director	Ms Pervin Nadim
Assistant Director	Ms Sandra Reid

#### Registered Office

PO Box 2076  
Lynstock House  
Lynstock Way  
Bolton  
BL6 4SA

#### Academy Site

ESSA Academy  
Lever Edge Lane  
Bolton  
BL3 3HH

#### Company Registration Number:

06731593 (England and Wales)

#### Charity Registration Number:

1127085

#### Auditors:

RSM Tenon Audit Limited  
2 Wellington Place  
Leeds  
LS1 4AP

#### Bankers:

Lloyds TSB  
Hotel Street  
Bolton  
BL1 1DB

## **ESSA ACADEMY**

### **REPORT OF THE GOVERNORS For the Year Ended 31 August 2010**

The governors present their report together with the financial statements of the charitable company for the year ended 31 August 2010. The report has been prepared in accordance with Part VI of the Charities Act 1993.

The financial statements have been prepared in accordance with the accounting policies on pages 14 to 16 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, the Companies Act 2006, and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005 ('SORP 2005').

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Constitution**

The Academy was incorporated on 23 October 2008 as a company limited by guarantee with no share capital (registration no. 06731593). The Academy was registered with the Charities Commission on 8 December 2008 as a registered charity (registration no. 1127085). The charitable company's memorandum and articles of association are the primary governing documents of the Academy. The initial Members of the charitable company were nominated by ESSA Foundation who are the sponsors of the Academy. Subsequent Members are nominated by unanimous decision of the existing Members. The articles of association require the Members of the charitable company to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy.

##### **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.

##### **Governors**

The Governors are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation.

The Governors who were in office at 31 August 2010 and served during the year are listed on page 1.

Ms Christine Wendell resigned as a Governor on 21<sup>st</sup> September 2010.

During the year under review the Governors held four meetings. In addition, there have been various facilitated training events for the Governors. The training and induction provided for new Governors will depend on their existing experience. Where necessary induction will provide training on charity and educational legal and financial matters. All new Governors will be given a tour of the Academy and the chance to meet with staff and students. All Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors. As there are normally only two or three new Governors a year, induction tends to be done informally and is tailored specifically to the individual.

##### **Responsibilities of the Governors**

Company law requires the Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year. In preparing financial statements giving a true and fair view, the Governors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

## **ESSA ACADEMY**

### **REPORT OF THE GOVERNORS For the Year Ended 31 August 2010 (continued)**

#### **Responsibilities of the Governors (continued)**

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Governors confirm that, so far as they are aware, there is no relevant audit information of which the charitable company's auditors are unaware. They have taken all the steps that they ought to have taken as Governors in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

#### **Organisational Structure**

The Academy's unified management structure consists of three levels, the Governors, the Senior Leadership Team ('SLT') and the Senior Departmental Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

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

The SLT comprises the Principal, the Deputy Principal, six Directors and three Assistant Directors. The SLT controls the Academy at an executive level, implementing the policies laid down by the Governors and reporting back to them. As a group the SLT is responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment panels for posts within the SLT always include a member of the Governing Body. Some spending and budgetary control is devolved to the Senior Departmental Team, with limits above which the Principal must countersign.

The Senior Departmental Team, which comprises all the Heads of Department, reports to the SLT and is responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students.

#### **Connected organisations**

ESSA Foundation is sponsor to ESSA Academy.

#### **Risk management**

The Academy produced a formal, written Risk Register in the year. In this Register, the Governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy. The Governors have implemented a number of systems to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the following statement.

## **ESSA ACADEMY**

### **REPORT OF THE GOVERNORS For the Year Ended 31 August 2010 (continued)**

#### **Statement on the system of internal finance control**

As governors, we acknowledge we have overall responsibility for ensuring that the Academy has an effective and appropriate system of control, financial and otherwise. We are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Academy and enable us to ensure the financial statements comply with the Companies Act. We also acknowledge responsibility for safeguarding the assets of the Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that -

- The Academy is operating efficiently and effectively,
- Its assets are safeguarded against unauthorised use or disposition,
- The proper records are maintained and financial information used within the Academy or for publication is reliable,
- The Academy complies with relevant laws and regulations

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

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

The Governors have considered the need for a specific internal audit function and have decided not to appoint an internal auditor. However, the Governors have appointed Mr Latif Jiva as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a quarterly basis, the RO reports to the governing body on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

These arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

## **ESSA ACADEMY**

### **REPORT OF THE GOVERNORS For the Year Ended 31 August 2010 (continued)**

#### **OBJECTIVES AND ACTIVITIES**

##### **Objects, aims and objectives**

The principal object and activity of the charitable company is the operation of ESSA Academy to provide education for pupils of different abilities between the ages of 11 and 16 with an emphasis on Science and Languages

In accordance with the articles of association the charitable company has adopted a "Scheme of Governance" approved by the Secretary of State for Children Schools and Families. The Scheme of Governance specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum with an emphasis on science and technology and their practical applications.

The main objectives of the Academy for its first three years of operation are summarised below:

- to raise achievement and aspirations for all through the use of innovation and new technologies,
- to raise the profile of ESSA Academy within the local, national and international communities,
- to deliver a personalised curriculum which is fit for the 21<sup>st</sup> Century through an outstanding learning infrastructure,
- to secure wellbeing for all through the development of Social Capital, and
- to secure ESSA Academy as a creative and vibrant multicultural learning community

##### **Strategies and activities**

The Academy's main strategy is encompassed in its mission statement which is 'To transform the learning and life opportunities of students'

In setting our objectives and planning our activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit.

ESSA Academy is non-selective and offers all students a broad curriculum, with specialisms in languages and science. The students who attend live mainly in South Bolton although some travel from further afield. To assist academic study, the Academy runs a breakfast club, revision and course clinic sessions and offers participation in national schemes, such as Playing for Success. The Academy offers its students activities and experiences beyond the academic, with coaching in various sports including cricket, football, rock-climbing and boxing. Students are also encouraged to take part in the Duke of Edinburgh Awards Scheme. Various visits and other offsite activities are organised to broaden and deepen students' life experiences and to stimulate their imagination and learning. Students will also take part in community-based activities, designed to put something back into the locality.

##### **Compliance statement**

We acknowledge as Governors that the Academy has complied with the Charities Commission's public benefit requirements during the year.

##### **Equal opportunities policy**

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

##### **Disabled persons**

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academy. The policy of the Academy is to support recruitment and retention of students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

## ESSA ACADEMY

### REPORT OF THE GOVERNORS For the Year Ended 31 August 2010 (continued)

#### ACHIEVEMENTS AND PERFORMANCE

The Academy continues to improve outcomes for its young people including English and Maths rose from 37% in 2009 to 52% in 2010. The percentage of pupils gaining 5 A\*-C This year saw a dramatic increase in the percentage of pupils gaining at least 5 A\*-C to 99.5% (2009 – 67%). Raise Online pupil attainment shows the following increases

	Matched Pupils Value Added (Percentile Ranks) Key Stage 2 to Key Stage 4 5 A* -C incl English and Maths	
	Prior Attainment	Prior Attainment including Social Factors
2008/09	55th	4th
2009/10	3rd	1st

#### FINANCIAL REVIEW

##### Financial report for the year

The majority of the Academy's income is obtained from the Young People's Learning Agency ('YPLA') in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from YPLA during the year ended 31 August 2010 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also receives grants for fixed assets from YPLA, and from other government bodies. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund.

During the year ended 31 August 2010, total expenditure of £6,321k (2009 period - £4,132k) was more than covered by recurrent grant funding from YPLA together with other incoming resources. The excess of income over expenditure for the year (excluding restricted endowment and fixed asset funds) was £29k (2009 period - £764k).

At 31 August 2010 the net book value of fixed assets was £545k (2009 - £542k) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

Under accounting Standard FRS17, it is necessary to charge projected deficits on the Local Government Pension scheme, which is provided for support staff, to the Unrestricted Fund. This resulted in the pension fund showing a deficit of £114k (2009 - £88k) which has been carried forward to 2011. It should be noted that this does not present a liquidity problem for the Academy and that we are reviewing contributions to the pension scheme in order to see a reduction in the pension deficit in future years. If the pension deficit and related charges were taken out, the Unrestricted Fund would show a surplus of £297k (2009 – deficit of £2k).

##### Reserves policy and financial position

##### Reserves policy

The governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The governors have determined that the appropriate level of free reserves should be equivalent to 1% of GAG, approximately £120k. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The Academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £24k (2009 – deficit of £151k).



## **ESSA ACADEMY**

### **REPORT OF THE GOVERNORS For the Year Ended 31 August 2010 (continued)**

#### **Financial position**

The Academy held fund balances at 31 August 2010 of £1,068k (2009 - £894k) comprising £885k (2009 - £984k) restricted funds, a balance of £297k (2009 - deficit of £2k) on unrestricted general funds, and a pension reserve deficit of £114k (2009 - £88k)

Restricted funds excluding fixed assets amount to £954k (2009 - £853k) This is shown in more detail in note 16 to the financial statements

#### **PLANS FOR FUTURE PERIODS**

The Academy is planning for its move into its new building in October 2011 and the positive changes in administration and curriculum delivery that this will entail

#### **AUDITORS**

The audit business of RSM Bentley Jennison, who had previously been appointed as the company's auditors, has merged with that of RSM Tenon Audit Limited who succeeded to the office of auditors to the company. The audit report on the financial statements has therefore been issued by the successor firm, RSM Tenon Audit Limited

A resolution will be made at the coming Annual General Meeting to re-appoint RSM Tenon Audit Limited as auditors for the company for the coming year

The report of the governors was approved by the governors on 23.12.10 and signed on their behalf by



**Mr Anwer Patel  
Chair of Governors**

## **ESSA ACADEMY**

### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ESSA ACADEMY 31 AUGUST 2010**

We have audited the financial statements of ESSA Academy for the year ended 31 August 2010, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under accounting policies set out therein.

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

#### **Respective responsibilities of Governors and auditors**

The Governors' (who act as trustees for the charitable activities of ESSA Academy and are also the directors of the company for the purposes of company law) responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Governors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you in our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice Financial Reporting and Annual Accounts Requirements issued by the Department for Education and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Governors' Report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Governors' remuneration specified by law are not made.

We read other information contained in the Governors' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

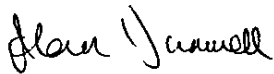
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

### In our opinion

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 August 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the Companies Act 2006,
- the financial statements have been prepared in accordance with the Financial Reporting and Annual Accounts Requirements issued by the Department for Education, in respect of the relevant financial year,
- grants made by the Department for Education have been applied for the purposes intended, and
- the information given in the Governors' Report is consistent with the financial statements



Mr Alan Dunwell  
Senior Statutory Auditor  
RSM Tenon Audit Limited, Statutory Auditor  
2 Wellington Place  
Leeds  
LS1 4AP

Date 23/12/10

# ESSA ACADEMY

## STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 August 2010

	Note	Unrestricted Funds	Restricted Funds	Restricted Endowment Fund	Restricted Fixed Asset Fund	Total Year ended 31 August 2010 £000	Total 8 months ended 31 August 2009 £000  (as restated)
		£000	£000	£000	£000		
<b>Incoming resources</b>							
Incoming resources from generated funds							
Activities for generating funds	2	283	-	-	-	283	58
Voluntary Income	3	15		252		267	251
Investment income	4	1	2	-	-	3	1
Incoming resources from charitable activities							
Funding for the Academy's Educational operations	5	-	5,930	-	122	6,052	4,837
<b>Total incoming resources</b>		<u>299</u>	<u>5,932</u>	<u>252</u>	<u>122</u>	<u>6,605</u>	<u>5,147</u>
<b>Resources expended</b>							
Academy's Educational operations	6	-	(5,900)	-	(288)	(6,188)	(4,010)
Defined benefit pension scheme	20	(14)	-	-	-	(14)	(28)
Governance costs	7	-	(119)	-		(119)	(94)
<b>Total resources expended</b>	8	<u>(14)</u>	<u>(6,019)</u>	<u>-</u>	<u>(288)</u>	<u>(6,321)</u>	<u>(4,132)</u>
<b>Net income resources before transfers</b>		285	(87)	252	(166)	284	1,015
Transfers between funds	16	-	(64)	-	64	-	-
<b>Net incoming resources before other recognised gains &amp; losses</b>		285	(151)	252	(102)	284	1,015
<b>Other recognised gains and losses</b>							
Actuarial losses on defined benefit Pension Scheme	20	(110)	-	-	-	(110)	(121)
<b>Net movement in funds carried forward at 31 August 2010</b>	17	<u>175</u>	<u>(151)</u>	<u>252</u>	<u>(102)</u>	<u>174</u>	<u>894</u>

The notes on pages 14 to 29 form part of these financial statements

# ESSA ACADEMY

## INCOME AND EXPENDITURE ACCOUNT for the year ended 31 August 2010

	Note	Year ended 31 August 2010 £000	8 months ended 31 August 2009 £000
<b>Income</b>			
General Annual Grant (GAG)	1	5,030	3,184
Start up grants		48	929
Standard funds		601	242
Capital grants		122	192
Other Local Authority Grants		218	219
Special Education Needs		33	32
Other income		<u>298</u>	<u>98</u>
<b>Total income</b>		6,350	4,896
<b>Expenditure</b>			
GAG related expenditure		5,067	3,093
Start up grants		498	479
Standard funds		203	242
Other Local Authority Grants		218	219
Special Education Needs		33	32
Depreciation		132	25
Net defined benefit pension scheme charge		14	28
Other expenditure		<u>156</u>	<u>14</u>
<b>Total expenditure</b>	6 & 7	<u>6,321</u>	<u>4,132</u>
<b>Excess of income over expenditure</b>		<u>29</u>	<u>764</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 August 2010

	Notes	Year ended 31 August 2010 £000	8 months ended 31 August 2009 £000 (as restated)
Excess of income over expenditure		29	764
Actuarial gain on defined benefit pension scheme in earlier periods		-	357
Actuarial loss on defined benefit pension scheme in current year	20	<u>(110)</u>	<u>(478)</u>
<b>Total recognised gains and losses for the year</b>		<u>(81)</u>	<u>643</u>
<b>Net movement (from)/to funds</b>			
Restricted funds		(256)	792
Unrestricted funds		<u>175</u>	<u>(149)</u>
		<u>(81)</u>	<u>643</u>

The income and expenditure account and statement of total recognised gains and losses are derived from the statement of financial activities on page 10 which, together with the notes to the financial statements on pages 14 to 29, provides full information on the movements during the year on all the funds of the Academy

All of the Academy's activities derived from continuing operations during the above financial year The notes on pages 14 to 29 form part of these financial statements

**ESSA ACADEMY**  
(Company number 06731593)

**BALANCE SHEET**  
**at 31 August 2010**

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	13	545	542
<b>Current assets</b>			
Debtors	14	268	139
Cash at bank		<u>667</u>	<u>1,444</u>
		935	1,583
<b>Current liabilities</b>			
Creditors Amounts falling due within one year	15	<u>(298)</u>	<u>(1,143)</u>
<b>Net current assets</b>		<u>637</u>	<u>440</u>
<b>Total assets excluding pension liability</b>		<b>1,182</b>	<b>982</b>
Pension scheme liability	20	<u>(114)</u>	<u>(88)</u>
<b>Net assets including pension liability</b>		<u><u>1,068</u></u>	<u><u>894</u></u>
<b>Funds</b>			<i>(as restated)</i>
Restricted funds			
Fixed asset fund	16	90	192
General Fund	16	292	541
Endowment Fund	16	503	251
Pension scheme liability	16	<u>159</u>	<u>61</u>
		<u><u>1,044</u></u>	<u><u>1,045</u></u>
Unrestricted fund			
General fund		297	(2)
Pension scheme liability		<u>(273)</u>	<u>(149)</u>
		<u>24</u>	<u>(151)</u>
<b>TOTAL FUNDS</b>		<u><u>1,068</u></u>	<u><u>894</u></u>

The financial statements on pages 10 to 29 were approved by the governors on 23.12.10 and signed on their behalf by

  
**Mr Anwer Patel**  
Chair of Governors

The notes on pages 14 to 29 form part of these financial statements

**ESSA ACADEMY**  
**CASH FLOW STATEMENT**  
**for the year ended 31 August 2010**

	y/e 31 August 2010 £000	8 months ended 31 August 2009 £000
<b>Net cash (outflow)/inflow from operating activities (see note below)</b>	(897)	1,760
<b>Management of liquid resources and financing</b>		
Additions to endowment fund	252	251
<b>Returns on investments and servicing of finance</b>		
Interest received	3	-
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	<u>(135)</u>	<u>(567)</u>
<b>(Decrease)/increase in cash</b>	<u><u>(777)</u></u>	<u><u>1,444</u></u>

**NOTES TO CASH FLOW STATEMENT**

**Reconciliation of excess income over expenditure to net cash inflow from operating activities.**

	2010 £000	2009 £000
Excess of income over expenditure	29	764
Depreciation	132	25
Non cash movement on defined benefit pension scheme	(84)	( 33)
Increase in debtors	(129)	( 139)
(Decrease)/increase in creditors	<u>(845)</u>	<u>1,143</u>
<b>Net cash flow from operating activities</b>	<u><u>(897)</u></u>	<u><u>1,760</u></u>

<b>Analysis of changes in net cash</b>	<b>Cashflows £000</b>	<b>2009 £000</b>	<b>Cashflows £000</b>	<b>2010 £000</b>
Net cash				
Cash in hand and in bank	<u>1,444</u>	<u>1,444</u>	<u>(777)</u>	<u>667</u>

**ESSA ACADEMY**  
**PRINCIPAL ACCOUNTING POLICIES**  
**Year ended 31 August 2010**

**Format of financial statements**

The standard format for the financial statements as required by the Companies Act 2006, has been adapted to provide more appropriate information which complies with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 ('Charities SORP 2005') and reflects the activities of the Academy

**Basis of accounting**

The financial statements are prepared under the historic cost convention and in accordance with applicable accounting standards and the Charities SORP 2005

**Incoming resources**

***Grants receivable***

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the year is shown in the relevant funds on the balance sheet

***Sponsorship income***

Sponsorship income provided to the Academy which amounts to a donation is recognised in the statement of financial activities in the year in which it is receivable

***Donations***

Donations are included in the statement of financial activities on a cash received basis or on an accruals basis where they are assured with reasonable certainty and are receivable at the balance sheet date

***Donated services and gifts in kind***

The value of donated services and gifts in kind provided to the Academy is recognised in the statement of financial activities as incoming resources and resources expended at their estimated value to the Academy in the year in which they are receivable, and where the benefit is both quantifiable and material

***Interest receivable***

Interest receivable is included within the statement of financial activities on a receivable basis

**Resources expended**

Resources expended are recognised in the year in which they are incurred and include irrecoverable VAT. They have been classified under headings that aggregate all costs relating to that activity

***Allocation of costs***

In accordance with the Charities SORP, expenditure has been analysed between the cost of generating funds, the Academy's charitable activities and governance. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned

***Governance costs***

Governance costs include the costs attributable to the Academy's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses. Such costs include both direct and allocated support costs



## **ESSA ACADEMY**

### **PRINCIPAL ACCOUNTING POLICIES**

**Year ended 31 August 2010**

**(continued)**

#### **Fund accounting**

General funds represent those resources which may be used towards meeting any of the objects of the Academy at the discretion of the Governors

Restricted funds comprise grants from YPLA and other donors which are to be used for specific purposes as explained in note 17

In 2009, the Academy became the Trustee of a permanent Endowment fund which was set up to hold donations from the Academy's sponsors. This fund, and any income it generates, is restricted in nature. The Endowment fund and any income generated are aggregated with the assets and income of the Academy in the financial statements

#### **Tangible fixed assets**

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

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

Assets costing less than £500 are written off in the year of acquisition. All other assets are capitalised.

#### **Depreciation**

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for assets are

Furniture, fixtures, fittings and equipment	15%
IT equipment	20%
Books	15%

#### **Leased assets**

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

#### **Taxation**

The Academy is a registered charity and as such is exempt from income tax and corporation tax under the provisions of the Income and Corporation Taxes Act 1988. The cost of irrecoverable VAT incurred by the Academy has been included in the statement of financial activities.

**ESSA ACADEMY**  
**PRINCIPAL ACCOUNTING POLICIES**  
**Year ended 31 August 2010**  
**(continued)**

**Pensions**

Academy staff are members of one of two defined benefit pension schemes. More details of the schemes are given in notes 19 and 20.

**Defined Benefit Schemes**

***Teachers' Pension Scheme***

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). The TPS, a statutory, contributory, final salary scheme is administered by Capita Teachers' Pensions on behalf of YPLA. As the Academy is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, the Academy has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the Academy in the year.

***Local Government Pension Scheme***

Non-teaching members of staff are offered membership of the Local Government Scheme (LGPS). The LGPS is a defined benefit pension scheme and is able to identify the Academy's share of assets and liabilities and the requirements of FRS 17, Retirement Benefits, have been followed.

The Academy's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010

### 1. GENERAL ANNUAL GRANT (GAG)

	Year ended 31 August 2010 £000	8 months ended 31 August 2009 £000
<b>a. Results and carry forward for the year</b>		
GAG under spend carried forward	91	-
GAG allocation for school year	5,030	3,184
<b>Total GAG available to spend</b>	<u>5,121</u>	<u>3,184</u>
Recurrent expenditure on GAG	(5,067)	(3,093)
Fixed assets purchased	-	-
<b>Total GAG expenditure</b>	<u>(5,067)</u>	<u>(3,093)</u>
GAG under spend carry forward	<u>54</u>	<u>91</u>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	<u>603</u>	<u>382</u>
<b>GAG to surrender to YPLA</b> (12% rule breached if result is positive)	<u>-</u> (no breach)	<u>-</u> (no breach)

### 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 a maximum of 12%, can only be used for capital purposes)

Recurrent expenditure from GAG in current year	5,067	N/a
GAG allocation for current year	(5,030)	N/a
GAG allocation for previous year x 2%	(64)	N/a
<b>GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year</b> (2% rule breached if result is positive)	<u>(27)</u> (no breach)	<u>N/a</u>

### 2. ACTIVITIES FOR GENERATING FUNDS

	Year ended 31 August 2010			8 months ended 31 August 2009		
	Unrestricted	Restricted	Total funds	Unrestricted	Restricted	Total funds
	£000	£000	£000	£000	£000	£000
Contributions from Local Authority	90	-	90	-	-	-
Catering	48	-	48	-	-	-
School excursions	17	-	17	-	-	-
Fund due to legacy school	14	-	14	-	-	-
Other	<u>114</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>58</u>	<u>58</u>
	<u>283</u>	<u>-</u>	<u>283</u>	<u>-</u>	<u>58</u>	<u>58</u>

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 3. VOLUNTARY INCOME

	Year ended 31 August 2010			8 months ended 31 August 2009		
	Unrestricted	Restricted	Total funds	Unrestricted	Restricted	Total funds
	£000	£000	£000	£000	£000	£000
Donations	15	-	15	-	-	-
Endowment Fund Income	-	252	252	-	251	251
	<u>15</u>	<u>252</u>	<u>267</u>	<u>-</u>	<u>251</u>	<u>251</u>

### 4. INVESTMENT INCOME

	Year ended 31 August 2010			8 months ended 31 August 2009		
	Unrestricted	Restricted	Total funds	Unrestricted	Restricted	Total funds
	£000	£000	£000	£000	£000	£000
Bank interest	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>-</u>	<u>1</u>

### 5. FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

	Year ended 31 August 2010			Total funds 8 months ended 31 August 2009 £000
	Unrestricted	Restricted	Total funds	
	£000	£000	£000	
Department of Children Schools and Families Grant				
General Annual Grant (GAG) (note 1)	-	5,030	5,030	3,184
Start up grants	-	48	48	929
Standard Funds	-	601	601	242
Other Government grants				
Capital grants	-	122	122	192
Special Education Needs Funding	-	33	33	32
Other	<u>-</u>	<u>218</u>	<u>218</u>	<u>258</u>
	<u>-</u>	<u>6,052</u>	<u>6,052</u>	<u>4,837</u>

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 6. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Total Funds Year ended 31 August 2010 £000	Total Funds 8 months ended 31 August 2009 £000 (as restated)
<b>Direct educational costs</b>		
Technical and educational support costs	2,959	2,245
Allocated depreciation	101	19
Books, apparatus and stationery	410	133
Examination fees	190	66
School uniform	-	21
School trips	4	-
Allocated utilities	135	100
External provision of educational resources	82	-
Agency teachers	233	154
Teacher recruitment	7	14
Other costs	<u>14</u>	<u>188</u>
	<u>4,135</u>	<u>2,940</u>
<b>Allocated support costs</b>		
Management and other support staff costs	1,111	441
Allocated depreciation	31	6
Catering	150	107
Allocated utilities	42	33
Insurance	45	35
Advertising, printing and stationery	36	24
Repairs, renewals and maintenance costs	441	193
Telephone	5	4
Training	13	-
Support Staff Recruitment	2	4
Other support costs	<u>177</u>	<u>223</u>
	<u>2,053</u>	<u>1,070</u>
<b>Total of Academy's Educational Operations</b>	<u><u>6,188</u></u>	<u><u>4,010</u></u>

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 7. GOVERNANCE

	Year ended 31 August 2010 £000	8 months ended 31 August 2009 (as restated) £000
Teaching and Educational Support costs	2	1
Professional fees	97	82
Audit and accountancy fees	<u>20</u>	<u>11</u>
	<u>119</u>	<u>94</u>

An adjustment has been made to the comparative figure to more accurately reflect the proportion of time spent by the governance staff on governance matters and the external costs of governance £82k of costs have been reclassified to charitable activities

### 8. RESOURCES EXPENDED

	Staff Costs	Year ended 31 August 2010 Depreciation	Other costs	Total	8 months ended 31 August 2009 Total (as restated) £000
	£000	£000	£000	£000	£000
Educational operations	2,958	101	1,076	4,135	2,918
Support costs	1,111	31	911	2,053	1,092
Implementation costs	-	-	-	-	82
FRS 17 pension charge	14	-	-	14	28
Governance	<u>2</u>	<u>-</u>	<u>117</u>	<u>119</u>	<u>12</u>
	<u>4,085</u>	<u>132</u>	<u>2,104</u>	<u>6,321</u>	<u>4,132</u>

The method used for the apportionment of support costs is disclosed in the accounting policies on page 14

### 9. STAFF COSTS AND NUMBERS

The aggregate payroll costs were as follows:

	Year ended 31 August 2010 £000	8 months ended 31 August 2009 £000
<b>Staff costs comprise.</b>		
Wages and salaries	3,501	2,252
Social security costs	268	178
Other pension costs	316	263
	<u>4,085</u>	<u>2,693</u>

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 9. STAFF COSTS AND NUMBERS continued

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

	Year ended 31 August 2010 No	8 months ended 31 August 2009 No
<b>Particulars of employees:</b>		
Teachers	68	70
Educational support	11	39
Management and administration staff	<u>43</u>	<u>25</u>
	<u>122</u>	<u>134</u>

Two (2009 three) employees earned more than £60,000 per annum (including taxable benefits but excluding employers' pension contributions) during the year ended 31 August 2010. The total emoluments of these employees were in the following ranges

	Year ended 31 August 2010 No	8 months ended 31 August 2009 No
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	-	-
£90,001 - £100,000	-	1
£100,001 - £110,000	<u>1</u>	<u>-</u>
	<u>2</u>	<u>3</u>

All of the above employees earning more than £60,000 per annum participated in the Teachers' Pension Scheme. During the year ended 31 August 2010, pension contributions for these staff amounted to £19,222 (2009 - £22,371)

### 10. GOVERNORS' REMUNERATION AND EXPENSES

One staff governor is employed by the Academy in a teaching role as permitted by the Memorandum and Articles of Association. Her remuneration for the year (2009 period) was £53,569 (2009 - £33,303) including pension contributions of £6,625 (2009 - £4,115).

Another governor received payment from the Academy of £200 (2009 - £103) in respect of travel expenses.

### 11. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy 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 and £10m on any one public and employer liability claim respectively and the cost for the year ended 31 August 2010 was £1k (2009 - £1k).

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 12. OPERATING PROFIT

	y/e 31 August 2010	8 months ended 31 August 2009
	£000	£000
Operating profit is stated after charging		
Depreciation	132	25
Auditors' fees in respect of external scrutiny	12	11
Governors' liability insurance	<u>1</u>	<u>1</u>

### 13. TANGIBLE FIXED ASSETS

	Fixtures & fittings £000	IT Equipment £000	Books £000	Total £000
<b>Cost</b>				
At 1 September 2009	129	417	21	567
Additions	6	129	-	135
Cost at 31 <sup>st</sup> August 2010	<u>135</u>	<u>546</u>	<u>21</u>	<u>702</u>
<b>Depreciation</b>				
At 1 September 2009	1	24	-	25
Charged in year	20	109	3	132
At 31 August 2010	<u>21</u>	<u>133</u>	<u>3</u>	<u>157</u>
<b>Net book value</b>				
At 31 August 2010	<u>114</u>	<u>413</u>	<u>18</u>	<u>545</u>
At 31 August 2009	<u>128</u>	<u>393</u>	<u>21</u>	<u>542</u>

All assets held at the 31 August 2010 were for the provision of education

No assets were held under hire purchase or finance leases

#### Source of funding for assets acquired (cumulative to date)

	2010 £000	2009 £000
General purpose fund (grant income)	702	567
Less accumulated depreciation	<u>(157)</u>	<u>( 25)</u>
<b>Net book value of fixed assets at 31 August 2010</b>	<u>545</u>	<u>542</u>



# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 14. DEBTORS

	2010 £000	2009 £000
Trade debtors	73	-
Prepayments	104	52
Other debtors	<u>91</u>	<u>87</u>
	<u>268</u>	<u>139</u>

### 15. CREDITORS: Amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	65	878
Other creditors	-	23
Accruals	<u>233</u>	<u>242</u>
	<u>298</u>	<u>1,143</u>

### 16. RESTRICTED FUNDS

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

	Balance at 31 August 2009 (as restated)	Incoming Resources £000	Resources expended £000	Gains, losses & transfers £000	Balance at 31 August 2010 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	91	5,030	(5,067)	-	54
Start up Grants	450	48	(498)	-	-
Standard Funds	-	601	(203)	(162)	236
Other grants	-	218	(218)	-	-
Investment income	-	2	-	-	2
Special Education Needs	<u>-</u>	<u>33</u>	<u>(33)</u>	<u>-</u>	<u>-</u>
	<u>541</u>	<u>5,932</u>	<u>(6,019)</u>	<u>(162)</u>	<u>292</u>
<b>Restricted fixed assets Funds</b>					
Other Government Grants	192	122	(288)	64	90
<b>Restricted Endowment fund</b>					
Voluntary donation	251	252	-	-	503
<b>Restricted pension fund liability</b>					
Employer's contributions	<u>61</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>159</u>
	<u>1,045</u>	<u>6,306</u>	<u>(6,307)</u>	<u>-</u>	<u>1,044</u>

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2010 are represented by

	Unrestricted general funds £000	Restricted funds £000	Restricted FA fund £000	Restricted Endowment Fund £000	Total 2010 £000	Total 2009 £000
Tangible fixed assets	-	519	26	-	545	542
Current assets	362	-	70	503	935	1,583
Current liabilities	(65)	(227)	(6)	-	(298)	(1,143)
Pension scheme liability	(273)	159	-	-	(114)	(88)
	<u>24</u>	<u>451</u>	<u>90</u>	<u>503</u>	<u>1,068</u>	<u>894</u>

47% (2009 – 28%) of the Academy's net assets at 31 August 2010 are represented by the Endowment fund

### 18. CONTINGENT LIABILITIES

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

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

- the value at that time of the Academy's assets held for the purpose of the Academy, and
- the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement

### 19. TEACHER'S PENSION SCHEME (ENGLAND & WALES)

#### Introduction

Under the definitions set out in Financial Reporting Standard 17, Retirement Benefits, the TPS scheme is classed as a multi-employer pension scheme. The Academy is unable to identify its share of the underlying (notional) 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 below the latest information available for the 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 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local education authorities and also by teachers in many independent and voluntary-aided schools and establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following a change of contract. Teachers and lecturers are able to opt out of the TPS.

## **ESSA ACADEMY**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 August 2010** **(continued)**

#### **19. TEACHER'S PENSION SCHEME (ENGLAND & WALES) continued**

##### **The Teachers' Pension Account**

Although teachers 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 TPS, which is an unfunded scheme, 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 Account, to be kept of receipts and expenditure (including the cost of pension increases). With effect from 1 April 2001, the Account will be credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

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 £166,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at valuation date) was £163,240m. 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 has been assessed at 19.75% and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years), a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced – effective for the first time for the 2009 valuation – a 14% cap on employer contributions payable.

The pension cost charged in the financial statements for the scheme for the year ended 31 August 2010 was £285k (2009 - £202k) which were the contributions for the year.

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 20. LOCAL GOVERNMENT PENSION SCHEME

The Academy is one of several employing bodies included within the Local Government Pension Scheme (LGPS)

The LGPS is a defined benefit scheme with assets held in separate trustee administered funds. Contributions to the scheme are determined by a qualified actuary on the basis of valuations using the projected unit method.

The total contributions made for the year ended 31 August 2010 were £143k (2009 - £89k) of which employer's contributions totalled £98k (2009 - £61k) and employees' contributions totalled £45k (2009 - £28k).

The agreed contribution rates for employers for the year ended 31 August 2010 were 14.1% (2009 - 13.9% and 14.9%).

The following information is based upon a full actuarial valuation of the fund as at 31 March 2007, updated to 31 August 2010 by a qualified independent actuary with the next formal valuation due as at 31 March 2010.

#### Actuarial Assumptions

The major assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

	2010	2009
Pension increase rate	2.7	3.4
Salary increase rate	4.7	4.9
Expected return on assets	6.1	6.5
Discount rate	4.8	5.4

#### Breakdown of the expected return on assets by category

	2010	2009
Equities	6.9	7.2
Bonds	4.3	4.7
Property	4.9	5.2
Cash	4.0	4.3

The actual return on the scheme assets in the year was £104k (2009 - £61k).

#### Mortality Assumptions

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31 August 2010		At 31 August 2009	
	Females	Males	Females	Males
Current pensioners	24.1 years	20.8 years	19.6 years	22.5 years
Future pensioners	26.2 years	22.8 years	20.7 years	23.6 years

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 20 LOCAL GOVERNMENT PENSION SCHEME continued

#### Commutation

An allowance is included for 50% of future retirements to elect additional tax-free cash up to HMRC limits

#### Fair value of employer assets

	2010 £000	2009 £000
Equities	1,222	1,087
Bonds	310	230
Property	109	92
Cash	<u>182</u>	<u>123</u>
	<u>1,823</u>	<u>1,532</u>

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

#### Recognition in SOFA

	2010 £000	(as restated) 2009 £000
Current service cost	(139)	( 46)
Interest cost	(92)	( 43)
Expected return on assets	104	61
Past service gain	<u>113</u>	<u>-</u>
Total expense recognised in SOFA	<u>(14)</u>	<u>(28)</u>

#### Analysis of amount recognised in STRGL

	2010 £000	2009 £000
Pension scheme asset at 1 January 2009	-	357
Actuarial gain on pension scheme assets	44	73
Actuarial loss on pension scheme liabilities	<u>(154)</u>	<u>(551)</u>
Total loss in STRGL	<u>( 110)</u>	<u>( 121)</u>

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £231k (2009 - £121k)

# ESSA ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2010 (continued)

### 20. LOCAL GOVERNMENT PENSION SCHEME continued

#### Prior Year Adjustment

In 2009's financial statements employer contributions of £61k were treated as unrestricted funds, following guidance issued in the Academies Financial Handbook. This guidance was revised in the current year so that the employer contributions should be classed as restricted funds. The impact of this change in accounting policy on the financial statements for the period ended 31 August 2009 is to increase restricted funds by £61k to £1,045k, and to increase the unrestricted fund deficit by £61k to £151k. The comparatives have been restated accordingly.

#### Contributions

Total contributions made by the employer in the year have been £98k (2009 - £61k). The level of contribution will be reviewed as a result of the triennial valuation of the scheme at 31 March 2010.

The best estimate of contributions to be paid by the employer to the scheme for the year ending 31 August 2011 is £115k (2009 - £91k).

#### Reconciliation of funded status to balance sheet

	2010 £000	2009 £000
Fair value of Employer assets	1,823	1,532
Present value of funded obligations	(1,937)	(1,620)
Net pension liability	<u>(114)</u>	<u>(88)</u>

#### Reconciliation of fair value of employer assets

	2010 £000	2009 £000
Opening fair value of employer assets	1,532	1,309
Expected return on assets	104	61
Contributions by members	45	28
Contributions by the employer	98	61
Actuarial gains	<u>44</u>	<u>73</u>
Closing fair value of employer assets	<u>1,823</u>	<u>1,532</u>

#### Reconciliation of defined benefit obligation

	2010 £000	2009 £000
Opening defined benefit obligation	1,620	952
Current service cost	139	46
Interest cost	92	43
Contributions by members	45	28
Actuarial losses	154	551
Past service costs	<u>(113)</u>	<u>-</u>
Closing defined benefit obligation	<u>1,937</u>	<u>1,620</u>

**ESSA ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 August 2010**

**(continued)**

**21. CAPITAL COMMITMENTS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Authorised by Governors and contracted for	<u>27</u>	<u>114</u>

**22. LEASE COMMITMENTS**

Amounts falling due under operating lease commitments are as follows -

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Fixture and Fittings		
Due between 2-5 years	41	-
Due after more than 5 years	<u>41</u>	<u>37</u>
	<u>82</u>	<u>37</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