

MANCHESTER COMMUNICATION ACADEMY
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012

TUESDAY



A1O23RY2

A14

18/12/2012

#232

COMPANIES HOUSE

Company Limited by Guarantee
Registration number: 06754335(England and Wales)

MANCHESTER COMMUNICATION ACADEMY

CONTENTS

	Page
Reference and administrative information	2
Governors' Report	4-8
Governance Statement	9-10
Statement on Regularity, Propriety and Compliance	11
Statement of Governors' Responsibility	12
Independent Auditor's Report	13-15
Statement of financial activities	16
Balance Sheet	17
Cash flow statement	18
Notes to the financial statements	19-37

MANCHESTER COMMUNICATION ACADEMY

REFERENCE AND ADMINISTRATIVE DETAILS

MEMBERS / TRUSTEES

Mr M Blackburn
Mrs V Rosin
Mr R Lawler
Ms S Webster
Mrs L Heath
Mr J Putt
Mrs A Grant
Mrs J Hailwood
Miss A Lund

SECRETARY

Manchester Professional Services Ltd

**ACADEMY SENIOR LEADERSHIP
TEAM**

Principal	Mrs L Heath
Vice Principal	Ms P Hodson
Vice Principal	Ms S Farrimond
Finance Director	Mr I Wait

PRINCIPAL TRADING ADDRESS

Manchester Communication Academy
Silchester Drive
Harpurhey
Manchester M40 8NT

REGISTERED OFFICE

Manchester Professional Services Ltd
PO Box 532
Town Hall
Manchester M60 4EP

COMPANY REGISTRATION NUMBER

06754335

AUDITORS

Crowe Clark Whitehill LLP
Arkwright House
Parsonage Gardens
Manchester
M3 2HP

BANKERS

The Co-operative Bank
PO Box 101
1 Balloon St
Manchester M60 4EP

Barclays Bank plc
1 Churchill Place
London E14 5HP

MANCHESTER COMMUNICATION ACADEMY
REFERENCE AND ADMINISTRATIVE DETAILS

SOLICITORS

Eversheds LLP
1 Wood St
London EC2 7WS

Weightmans LLP
India Buildings
Water St
Liverpool L2 0GA

MANCHESTER COMMUNICATION ACADEMY

GOVERNORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2012

The Governors present their report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2012

Manchester Communication Academy (the Academy) was incorporated on 20th November 2008

The financial statements have been prepared in accordance with the accounting policies on pages 19 to 21 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, the Companies Act 2006, the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005 ('SORP 2005') and the Academies Financial Handbook

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy is a company limited by guarantee with no share capital (registration no 06754335) and an exempt charity (since 1 August 2011). The charitable company's memorandum and articles of association signed on 10 November 2008 are the primary governing documents of the Academy.

Members of the charitable company are British Telecom, The Manchester College and Manchester City Council.

The articles of association require the members of the charitable company to appoint at least six Governors to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy. The governors act as the trustees for the charitable activities of Manchester Communication Academy and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Manchester Communication Academy.

Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 2.

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' Indemnities

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

Principal Activities

The principal activity of the Academy Trust is to maintain, and to carry on or provide for the carrying on, an independent school known as the Manchester Communication Academy ("the Academy"). The Academy shall

- a) have a broad curriculum with an emphasis on a particular subject area, or particular subject areas, specified in the Academy's funding agreement (digital communications), and
- b) provide education for pupils of different abilities and who are wholly or mainly drawn from the area in which the school is situated.

Method of Recruitment and Appointment/Election of Governors

The articles of association require the members of the charitable company to appoint at least six Governors to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy. The Governors are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation.

MANCHESTER COMMUNICATION ACADEMY

GOVERNORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2012

The term of office for any Governor is 4 years, save that

- (i) this time limit shall not apply to the Principal,
- (ii) a parent Governor shall cease to hold office if s/he ceases to have a child who is a registered pupil at the Academy' and
- (iii) a staff Governor shall cease to hold office if s/he ceases to be employed at the Academy Any Governor may be re-appointed or re-elected

The Governors who were in office at 31 August 2012 and served throughout the year are listed on page 2

During the period under review the Governors held 3 meetings of the full Governing Body

Policies and Procedures Adopted for the Induction and Training of Governors

The training and induction provided for new Governors depends on their existing experience Where necessary induction provides training on charity and educational legal and financial matters All new Governors are 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 need to undertake their role as Governors Inductions are tailored specifically to the individual

Organisational Structure

A unified management structure continues to operate to help improve the way the Academy is run The structure consists of three levels the Governors, The Senior Managers and the Management 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 Senior Managers are the Principal, two Vice Principals and the Finance Director

These managers control the Academy at an executive level implementing the policies laid down by the Governors and reporting back to them As a group the Senior Managers are responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment boards for posts in the Management Team always contain a Governor Some spending control is devolved to members of the Management Team, with limits above which a Senior Manager must countersign

The Management Team which includes the Senior Management and the Assistant Vice-Principals will be responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students

Risk Management

The Governors' confirm that they have a system for identifying, evaluating and acting upon risks to the Academy Risks are identified by Academy Senior Managers, and the actions required to manage and mitigate these risks are undertaken Risks are allocated to Senior Managers who report on these to the lead governor for their area of responsibility

Connected Organisations, including Related Party Transactions

The Academy Trust works closely with all its sponsors - British Telecom, Manchester City Council and The Manchester College The Academy also works with the EFA, local primary schools, the Manchester Adult Education Service (MAES) and our co-located organisations – the Manchester Football Association and the Primary Engineer organisation

Auditors

In so far as the Governors are aware

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

The auditors, Crowe Clark Whitehill have been appointed as the Academy's auditors for five years, subject to the GB approving their performance annually

MANCHESTER COMMUNICATION ACADEMY

GOVERNORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2012

OBJECTIVES AND ACTIVITIES

Objects and Aims

The Trust's objects are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining carrying on, managing and developing a school offering a broad curriculum with a strong emphasis on, but in no way limited to, digital communication

In accordance with the articles of association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education and Skills. The Scheme of Government 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 digital communication

Objectives, Strategies and Activities

The sponsors' vision is that the Academy will transform access to learning for students, their families and their communities and provide a centre of excellence for the combined teaching of communication and the use of technology. The students will develop the skills necessary to communicate effectively, collaborate with others, solve problems and generate new ideas.

To this end the activities provided include

- tuition and learning opportunities for all students to make appropriate academic progress
- training opportunities for all staff, and especially teaching staff,
- a programme of sporting and after school leisure activities for all students,

Public Benefit

In setting our objectives and planning our activities the governors have considered the impact of the public benefit requirement including the guidance issued by the Charity Commission

The primary purpose of Manchester Communication Academy is the advancement of education in the Manchester area. Inextricably linked with this purpose is the aim of contributing to the public good. Through the provision of educational and other activities, the Academy aims to contribute considerable benefit to the local community.

ACHIEVEMENTS AND PERFORMANCE

The Academy Trust delivered several notable achievements in the year ended 31 August 2012. We have further developed and maintained high standards of provision across existing and new year groups, and have recruited 20 more staff. Key achievements reported to the Governing Body include

- Pupil Performance – Outstanding performance in attainment and attendance have been reported, and recruitment of students is excellent
- Staff Performance – 96% of staff performance reviews were good or outstanding
- Finances – see below
- Innovation – Academy staff met challenging targets regarding the addressing of conferences, hosting 'best practice' visits etc
- Community – Challenging targets on asset use (over 1,000 local users of assets) and enrolment targets for Adult Learners (over 170 in the year) were set and reviewed through the year, with both targets being exceeded

Going Concern

After making appropriate enquiries, the governing body has a reasonable expectation that the Academy has adequate resources to continue in operational existence for the foreseeable future. Student numbers, which drive Academy funding, have been and are forecast to continue being very robust. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

MANCHESTER COMMUNICATION ACADEMY

GOVERNORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2012

Key Financial Performance Indicators

The Governing Body received reports on financial performance & management at each meeting, and a monthly 'balanced scorecard' Key information reported includes

- Balanced budget approved by GB at the July 2011 meeting, and reported on through year
- Staffing costs as % of budgeted income consistently at 55%
- Delegated budgets for key curricular areas developed
- Major procurement exercise (ICT) approved by GB

FINANCIAL REVIEW

The great majority of revenue income received in the period (over 93%) relates to grants received from the EFA - mainly General Annual Grant (GAG) and Start-Up Grant (SUG) These are shown as Restricted General Funds in the Statement of Financial Activities

Expenditure from this funding has supported the key objectives of the Academy Trust in the equipping of the Academy, developing our offer as an educational establishment and providing education for year 7 and 8 students

Financial and Risk Management Objectives and Policies

Financial management issues and the identification of financial risks are reported to the GB through the lead Finance Governor, who meets regularly with the Finance Director to review these issues Planning for longer-term income streams – by forecasting student numbers, for example – and liabilities – such as expenditure on our asset base - form a central part of these discussions, and ensure risks are addressed

Another key financial risk for all Academies is the risk of insufficient liquidity – the risk that, through a mismatch in funds received to expenditure incurred, the Academy will become overdrawn This is not allowed for Academies This risk is avoided through careful budget profiling and timing of expenditure, and this aspect of financial management is also reported to the Governing Body at each meeting

Principal Risks and Uncertainties

The Academy monitors and manages risk through our Self-Evaluation Framework (SEF) which reports key risks and challenges It is 'owned' by the relevant member of the Academy's Senior Leadership Team and reported through the lead governor for that area to the GB The management of financial risk is centred on continuing to have strong student numbers & thus robust funding levels This risk is addressed by a marketing programme among prospective parents, and more fundamentally by the maintenance of high academic standards and the development of the MCA 'brand'

Reserves Policy

The Governors have continued to monitor the projected reserve levels of the Academy throughout the year, being mindful of the need to strike a balance between an appropriate level of free reserves and reserves of Start-Up Grant (SUG) The aim is to provide sufficient working capital to cover delays between spending and the receipt of grants, to provide a cushion to deal with unexpected emergencies such as urgent maintenance and to smooth the profile of receipt and expenditure of SUG

Investment Policy

The Governors have authorised the Accounting Officer & FD to place surplus funds in interest bearing accounts for the benefit of the Academy This is subject to sufficient funds being available to meet forthcoming liabilities After reviewing known income flows and projected spend, and discussion with the lead Finance Governor, £500k was placed in a 12 month deposit account with the Co-op in February The funds remaining in the current account were sufficient to cover 4 months of revenue spend, even if no GAG had been received in that period

MANCHESTER COMMUNICATION ACADEMY

**GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2012**

PLANS FOR FUTURE PERIODS


The Academy will strive to ensure that all students are able to realise their potential in both academic and non-academic terms. The Academy also intends to increase its student recruitment to the projected levels for years 7-11. For post-16 provision the Academy has currently deferred student recruitment, and is working with partners to develop an offer that enhances student choice.

AUDITORS

In so far as the Governors are aware

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

The auditors, Crowe Clark Whitehill have been appointed as the Academy's auditors for five years, subject to the GB approving their performance annually.


26/11/12

MANCHESTER COMMUNICATION ACADEMY
GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012

Scope of Responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that Manchester Communication Academy has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Manchester Communication Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The Governing Body has formally met three times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Governor	Meetings attended	Out of a possible
Mike Blackburn (Chair)	1	3
Vicky Rosin (Vice-Chair)	3	3
Andrea Grant (Staff Governor)	3	3
Robin Lawler	3	3
Lynne Heath (Principal & Accounting Officer)	3	3
Sue Webster (Responsible Officer)	3	3
Janice Hailwood	2	3
Jonathan Putt	2	3
Amanda Lund (appointed 26 March 2012)	2	2

Financial governance is exercised by the lead Finance Governor (Robin Lawler) meeting with the FD at least once a term prior to 'full' Governing Body meetings to discuss and approve financial performance information.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Manchester Communication Academy for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

MANCHESTER COMMUNICATION ACADEMY

GOVERNANCE STATEMENT (continued)

FOR THE YEAR ENDED 31 AUGUST 2012

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body,
- regular reviews by the lead Finance Governor 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 Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Sue Webster, a Governor, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly 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.

The RO's programme of work meets the requirements set out in the academies financial handbook. No material control issues have arisen from the RO's programme of work.

Review of Effectiveness

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

- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the lead Finance Governor and the Responsible Officer and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the governing body on 26/11/12 and signed on its behalf by



Mike Blackburn

Chair



Lynne Heath

Accounting Officer

MANCHESTER COMMUNICATION ACADEMY

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2012**

As Accounting Officer of Manchester Communication Academy I have considered my responsibility to notify the Academy Trust governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Academy Trust governing body are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

[Signed]



Lynne Heath

Accounting Officer

MANCHESTER COMMUNICATION ACADEMY
STATEMENT OF THE RESPONSIBILITIES OF THE GOVERNORS
FOR THE YEAR ENDED 31 AUGUST 2012

The Governors (who act as trustees for the charitable activities of Manchester Communication Academy and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the annual accounts requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) and applicable law and regulations

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,
- observe the methods and principles in 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 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

The Governors are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and 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 ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended

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

Approved by order of the members of the Governing Body on 26/8 and signed on its behalf by

Mike Blackburn



Chair

MANCHESTER COMMUNICATION ACADEMY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 AUGUST 2012

We have audited the financial statements of Manchester Communication Academy for the year ended 31 August 2012 which the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 27

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency

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

Respective responsibilities of governors and auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Annual Accounts Direction [2011/12] issued by the Education Funding Agency, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MANCHESTER COMMUNICATION ACADEMY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 AUGUST 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Vicky Szulist

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Arkwright House

Parsonage Gardens

Manchester

M3 2HP

14th December 2012

**INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE GOVERNING BODY OF
MANCHESTER COMMUNICATION ACADEMY AND THE EDUCATION FUNDING AGENCY**

FOR THE YEAR ENDED 31 AUGUST 2012

In accordance with the terms of our engagement letter dated 18TH October 2012 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by the academy trust during the period 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the governing body and the EFA. Our review work has been undertaken so that we might state to the governing body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the governing body and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the governing body and Auditors

The governing body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Accounts Direction 2011/12 issued by the EFA.

Opinion

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

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor

Arkwright House

Parsonage Gardens

Manchester

M3 2HP

14th December 2012

MANCHESTER COMMUNICATION ACADEMY
STATEMENT OF FINANCIAL ACTIVITIES
(including Income and Expenditure Account and Statement of Total
Recognised Gains and Losses)
FOR THE YEAR ENDED 31 AUGUST 2012

		Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2012 £000	Total 2011 £000
	Note					
Incoming resources						
<i>Incoming resources from generated funds</i>						
Voluntary income	3	14	-	-	14	2
Activities for generating funds	4	53	-	-	53	50
Investment income	5	6	-	-	6	-
<i>Incoming resources from charitable activities</i>						
Funding for the Academy's educational operations	6	72	5,082	16	5,170	32,543
Other incoming resources	7	-	4	-	4	11
Total incoming resources		145	5,086	16	5,247	32,606
Resources expended						
<i>Charitable activities</i>						
Academy's educational operations	9	66	4,206	1,136	5,408	3,961
Governance costs	10	-	11	-	11	14
Total resources expended	8	66	4,217	1,136	5,419	3,975
Net incoming / (outgoing) resources before transfers		79	869	(1,120)	(172)	28,631
Gross transfers between funds	17	-	(222)	222	-	-
Net income/(expenditure) for the year		79	647	(898)	(172)	28,631
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes	17,27	-	(87)	-	(87)	3
Net movement in funds		79	560	(898)	(259)	28,634
Reconciliation of funds						
Funds brought forward at 1 September 2011		52	567	28,092	28,711	77
Funds carried forward at 31 August 2012	17	131	1,127	27,194	28,452	28,711

All of the Academy's activities derive from continuing operations during the above two financial periods

MANCHESTER COMMUNICATION ACADEMY

BALANCE SHEET Company Number 06754335 FOR THE YEAR ENDED 31 AUGUST 2012

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Tangible assets	14		27,194		28,092
Current assets					
Debtors	15	251		383	
Cash at bank and in hand		1,543		449	
		<u>1,794</u>		<u>832</u>	
Creditors: Amounts falling due within one year	16	<u>(454)</u>		<u>(211)</u>	
Net current assets			<u>1,340</u>		<u>621</u>
Total assets less current liabilities			<u>28,534</u>		<u>28,713</u>
Net assets excluding pension liability			<u>28,534</u>		<u>28,713</u>
Pension scheme liability	27		<u>(82)</u>		<u>(2)</u>
Net assets including pension liability			<u>28,452</u>		<u>28,711</u>
Funds of the academy:					
Restricted funds					
Fixed asset funds	17		27,194		28,092
General funds	17		1,209		569
Pension Reserve	17		<u>(82)</u>		<u>(2)</u>
Total restricted funds			<u>28,321</u>		<u>28,659</u>
Unrestricted funds					
General fund	17		<u>131</u>		<u>52</u>
Total unrestricted funds			<u>131</u>		<u>52</u>
Total funds			<u>28,452</u>		<u>28,711</u>

The financial statements on pages 16 to 37 were approved by the Governors, and authorised for issue on 26/11/12 2012 and are signed on their behalf by



Mike Blackburn
Chair



Lynne Heath
Accounting Officer

MANCHESTER COMMUNICATION ACADEMY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012**

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	21	1,311	732
Returns on investments and servicing of finance	22	6	-
Capital expenditure	23	(223)	(519)
(Decrease)/Increase in cash in the year	24	<u>1,094</u>	<u>213</u>

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

The governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of a period of one year from the date of approval of the financial statements. Funding levels are primarily driven by pupil numbers, and the continued over-subscription of places at the Academy indicates that the Governors' assessment is reasonable.

Incoming Resources

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Donations

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

Resources Expended

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

Costs of generating funds

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

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Charitable activities

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

Governance Costs

These include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings and reimbursed expenses. All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows. Depreciation is charged annually, and newly acquired fixed assets are charged for a full year's depreciation in the year of their purchase.

Long leasehold buildings	50 years
Short-term additions to leasehold buildings	8 years
Fixtures, fittings and equipment	4 years
ICT equipment	3 years

Leased Assets

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

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

VAT Accounting

Expenditure was accounted for net of input VAT in the year to 31st August 2012.

Recognition of Liabilities

Liabilities are recognised once there is a legal or constructive obligation that commits the Academy to the obligation.

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Pensions Benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy Trust. The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The Greater Manchester Pension Fund (GMPF) is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund Accounting

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

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

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

**MANCHESTER COMMUNICATION ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

2. GENERAL ANNUAL GRANT (GAG)

a. Results and Carry Forward for the Year	2012	2011
	£000	£000
GAG brought forward from previous year	49	-
GAG allocation for current year	3,868	2,118
Total GAG available to spend	3,917	2,118
Recurrent expenditure from GAG	(3,629)	(1,728)
Fixed assets purchased from GAG	(51)	(341)
Other restricted GAG funds	(8)	-
GAG carried forward to next year	229	49
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(464)	(254)
GAG to surrender to DfE	(235)	(205)
(12% rule breached if result is positive)	No breach	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	3,629	1,728
GAG allocation for current year	(3,868)	(2,118)
GAG allocation for previous year x 2%	(42)	-
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year	(281)	(390)
(2% rule breached if result is positive)	No breach	No breach

MANCHESTER COMMUNICATION ACADEMY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

3. VOLUNTARY INCOME

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Donations – Capital	-	-	-	2
Donations - Other	14	-	14	-
	<u>14</u>	<u>-</u>	<u>14</u>	<u>2</u>

4. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Hire of facilities - educational	7	-	7	50
- other	45	-	45	-
Uniform sales	1	-	1	-
	<u>53</u>	<u>-</u>	<u>53</u>	<u>50</u>

5. INVESTMENT INCOME

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Short term deposits	6	-	6	-
	<u>6</u>	<u>-</u>	<u>6</u>	<u>-</u>

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

6. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
DfE/EFA capital grant				
Devolved Formula Capital allocations	-	16	16	14
Academy main building	-	-	-	28,710
Other capital grant from LA	-	-	-	162
	<u>-</u>	<u>16</u>	<u>16</u>	<u>28,886</u>
DfE / EFA revenue grants				
General Annual Grant (GAG) (note 2)	-	3,866	3,866	2,118
Start Up Grants	-	912	912	1,145
Pupil premium	-	89	89	32
School standards fund	-	-	-	35
Other DfE / EFA grants	-	25	25	81
	<u>-</u>	<u>4,892</u>	<u>4,892</u>	<u>3,411</u>
Other Government grants				
Extended schools programme	-	-	-	11
SEN from LA	-	82	82	63
Sponsorship from local authority	-	40	40	40
Heritage lottery grant	-	16	16	-
Big lottery grant	-	10	10	-
Neighbourhood learning for deprived communities	-	42	42	-
	<u>-</u>	<u>190</u>	<u>190</u>	<u>114</u>
Other Income				
School trip income	23	-	23	13
Placement income	19	-	19	-
Secondment income	12	-	12	-
Other income	18	-	18	119
	<u>72</u>	<u>-</u>	<u>72</u>	<u>132</u>
	<u>72</u>	<u>5,098</u>	<u>5,170</u>	<u>32,543</u>

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

7. OTHER INCOMING RESOURCES

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Urban Crew Community Project	-	4	4	11
	<u>-</u>	<u>4</u>	<u>4</u>	<u>11</u>

8. RESOURCES EXPENDED

	Staff Costs £000	Non Pay Expenditure Premises £000		Other Costs £000	Total 2012 £000	Total 2011 £000
Academy's educational operations						
Direct costs	2,122	909		783	3,814	2,859
Allocated support costs	535	553		504	1,592	1,102
	<u>2,657</u>	<u>1,462</u>		<u>1,287</u>	<u>5,406</u>	<u>3,961</u>
Governance costs including allocated support costs	-	-		11	11	14
	<u>2,657</u>	<u>1,462</u>		<u>1,298</u>	<u>5,417</u>	<u>3,975</u>

Net Incoming/outgoing resources for the year include:

	2012 £000	2011 £000
Fees payable to auditor		
Audit	9	9
Other services	3	3
	<u>12</u>	<u>12</u>

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

9. CHARITABLE ACTIVITIES – ACADEMY'S EDUCATION OPERATIONS

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
<i>Direct costs</i>				
Teaching and educational support staff costs	12	2,110	2,122	1,307
Depreciation	-	909	909	910
Educational supplies	-	399	399	322
Examination fees	-	5	5	6
Staff development	-	42	42	24
Educational consultancy	-	114	114	28
Other direct costs	50	174	224	263
	<u>62</u>	<u>3,753</u>	<u>3,815</u>	<u>2,860</u>
<i>Allocated support costs</i>				
Support staff costs	-	535	535	362
Depreciation	-	227	227	227
Recruitment and support	-	12	12	22
Maintenance of premises and equipment	-	170	170	23
Electricity, gas & water	-	91	91	84
Cleaning	-	102	102	97
Rent & rates	-	45	45	42
Insurance	-	35	35	32
Security and transport	-	13	13	79
Utility & Site Costs	-	21	21	12
Bank interest & charges	-	1	1	-
Marketing & promotion	-	15	15	6
Telephone, postage & stationery	-	14	14	26
Other support costs	4	308	312	89
	<u>4</u>	<u>1,589</u>	<u>1,593</u>	<u>1,101</u>
	<u>66</u>	<u>5,342</u>	<u>5,408</u>	<u>3,961</u>

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

10. GOVERNANCE COSTS

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Legal and professional fees	-	-	-	2
Auditor's remuneration	-	11	11	12
	-	11	11	14

11. STAFF COSTS

Staff costs during the period were	2012 £000	2011 £000
Wages and salaries	2,193	1,390
Social security costs	168	108
Other pension costs	266	171
	2,627	1,669
Supply teachers cost	30	-
	2,657	1,669

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

	2012 No.	2011 No.
Charitable Activities		
Teachers	36	21
Management	9	5
Administration & support	42	26
	87	52

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

	2012 No.	2011 No.
£60,001 - £70,000	3	2
£100,001 - £110,000	1	1

Three of the above employees participated in the Teachers' Pension Scheme (2011 3) During the year ended 31 August 2012 pension contributions for these staff amounted to £33,265 (2011 £31,812)

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

12. GOVERNORS REMUNERATION AND EXPENSES

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the Academy in respect of their role as governors. The value of the Principal's remuneration was in the £100,001 - £105,000 band in 2012 (2011 - £100,001 - £105,000). The value of staff governor's remuneration was in the £30-35,000 band (2011 - £30,001 - £35,000).

Expenses reimbursed to governors during the year totalled £nil (2011 - £1,800).

Related party transactions involving the trustees are set out in note 28.

13. 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 £2.5m on any one claim and the cost for the year ended 31 August 2012 was £980.

14. TANGIBLE FIXED ASSETS

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Total £000
Cost				
At 1 September 2011	27,138	1,180	911	29,229
Additions	56	95	87	238
Disposals	-	-	-	-
At 31 August 2012	<u>27,194</u>	<u>1,275</u>	<u>998</u>	<u>29,467</u>
Depreciation				
At 1 September 2011	543	294	300	1,137
Charged in year	544	259	333	1,136
Disposals	-	-	-	-
At 31 August 2012	<u>1,087</u>	<u>553</u>	<u>633</u>	<u>2,273</u>
Net book values				
At 31 August 2012	<u>26,107</u>	<u>722</u>	<u>365</u>	<u>27,194</u>
At 31 August 2011	<u>26,595</u>	<u>886</u>	<u>611</u>	<u>28,092</u>

The lease for the Academy's buildings is for 125 years, final agreement on the lease between MCC and the Academy was being finalised at time of audit. The freehold land included in the lease has no value as it cannot be used for anything other than education.

MANCHESTER COMMUNICATION ACADEMY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

15. DEBTORS

	2012 £000	2011 £000
Trade Debtors	68	186
Prepayments and Accrued Income	39	25
EFA	-	42
Sundry debtors	4	130
VAT recoverable	140	-
	<u>251</u>	<u>383</u>

16. CREDITORS: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	407	25
Other creditors	-	66
Accruals and deferred income	47	120
	<u>454</u>	<u>211</u>

Deferred income

Deferred Income at 1 September 2011	40	-
Resources deferred in the year	3	40
Amounts released from previous years	(40)	-
Deferred Income at 31 August 2012	<u>3</u>	<u>40</u>

Deferred income at 31 August 2012 includes £2,915 relating to school trip income received before the year end but relating to the next year

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

17. FUNDS

	Balance at 1 September 2011	Incoming resources	Resources expended	Gains, losses and transfers	Balance at 31 August 2012
	£000	£000	£000	£000	£000
Restricted general funds					
General Annual Grant (GAG)	49	3,868	(3,629)	(59)	229
Start Up Grant	520	912	(342)	(171)	919
Other DfE/EFA grants	-	25	(23)	-	2
School Standards Fund	-	-	-	-	-
SEN from LA	-	82	(82)	-	-
Pupil Premium grant	-	88	(88)	-	-
Other government grants	-	40	(40)	-	-
Urban Crew	-	4	(5)	8	7
Heritage Lottery Fund	-	15	(13)	-	2
Big Lottery Fund	-	10	-	-	10
Neighbourhood Learning in Deprived Communities	-	42	(2)	-	40
Pension Reserve	(2)	-	7	(87)	(82)
	<u>567</u>	<u>5,086</u>	<u>(4,217)</u>	<u>(309)</u>	<u>1,127</u>
Restricted fixed asset funds					
DfE/EFA capital grants	27,704	-	(1,067)	238	26,875
Devolved Capital Grant	11	16	(27)	-	-
Local Authority Capital Grant	121	-	(41)	-	80
Guinness Northern Counties Housing Trust donation	1	-	(1)	-	-
Capital expenditure from GAG	255	-	-	(16)	239
	<u>28,092</u>	<u>16</u>	<u>(1,136)</u>	<u>222</u>	<u>27,194</u>
Total restricted funds	<u>28,659</u>	<u>5,102</u>	<u>(5,353)</u>	<u>(87)</u>	<u>28,321</u>
Unrestricted funds					
Unrestricted funds	52	145	(66)	-	131
Total unrestricted funds	<u>52</u>	<u>145</u>	<u>(66)</u>	<u>-</u>	<u>131</u>
Total funds	<u>28,711</u>	<u>5,247</u>	<u>(5,419)</u>	<u>(87)</u>	<u>28,452</u>

MANCHESTER COMMUNICATION ACADEMY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

17. FUNDS (continued)

Restricted General Funds are used specifically to provide educational resources for the pupils of the Academy

Restricted Fixed Assets funds provide for the installation, maintenance and repair of the fixed assets of the Academy

Unrestricted Funds are those other resources which may be used to further the objectives of the Academy

There have been three main transfers on Fund balances during the year GAG and SUG have collectively seen a transfer of £230k, which is in respect of capital expenditure and has resulted in an increase in Restricted FA funds carried forward. Some £8k of Urban Crew funding had erroneously been shown as fully expensed in the prior year, and that balance has now been corrected. And the deficit on the Academy's Pension Reserve has increased by £87k, in line with actuarial advice from the LGPF administrators

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2012 are represented by

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£000	£000	£000	£000
Tangible fixed assets	-	-	27,194	27,194
Current assets	134	1,660	-	1,794
Current liabilities	(3)	(451)	-	(454)
Pension scheme liability		(82)	-	(82)
Total net assets	131	1,127	27,194	28,452

19. CAPITAL COMMITMENTS

	2012 £000	2011 £000
Contracted for, but not provided in the financial statements	49	-

20. FINANCIAL COMMITMENTS

Operating leases

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

	2012 £000	2011 £000
<u>Other</u>		
Expiring within one year	4	-
Expiring within two and five years inclusive	4	11
Expiring in over five years	-	-

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

21. RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £000	20101 £000
(Deficit)/surplus on continuing operations	(172)	28,631
Depreciation (note 14)	1,136	1,137
FRS 17 pension cost less contributions payable (note 26)	(6)	(55)
Interest receivable (note 6)	(6)	-
FRS 17 pension finance income (note 26)	(1)	58
Capital grants from DfE and other capital income	(16)	(28,710)
(Increase)/decrease in debtors	132	(231)
Increase/(decrease) in creditors	244	(99)
Net cash inflow from operating activities	1,311	731

22. RETURN ON INVESTMENTS AND SERVICING OF FINANCE

Interest received	6	-
Net cash inflow from returns on investment and servicing of finance	6	-

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible fixed assets	(239)	(519)
Capital grants from DfE/EFA	16	-
Net cash outflow from capital expenditure and financial investment	(223)	(519)

24. ANALYSIS OF CHANGE IN NET FUNDS

	At 1 September 2011 £000	Cash flows £000	At 31 August 2012 £000
Cash in hand and at bank	449	1,094	1,543
	449	1,094	1,543

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

25. CONTINGENT LIABILITIES

There are no contingent liabilities of which the Governors or staff are aware as at 31 August 2012, which need to be reflected in the accounts

26. 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

27. PENSION AND OTHER OBLIGATIONS

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

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

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

Teachers' Pension Scheme

The Teachers' Pension Scheme ('TPS') is a statutory, contributory, defined benefit scheme The regulations under which the TPS operates are the Teachers' Pension Regulations 2010

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act

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

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

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

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

27. PENSION AND OTHER OBLIGATIONS (continued)

The last valuation of the TPS related to the period 1n April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definition set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined benefit scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2012 was £133,000, of which employer's contributions totalled £94,000 and employees' contributions totalled £39,000. The agreed contribution rates for future years are 15.6 per cent for employers, and between 5.5% and 7.5%, depending on pay, for employees.

Principal Actuarial Assumptions

	At 31 August 2012	At 31 August 2011
Rate of increase in salaries	4.0%	4.4%
Rate of increase for pensions in payment / inflation	2.2%	2.6%
Discount rate for scheme liabilities	4.1%	5.4%
Inflation assumption (CPI)	4.8%	6.0%

MANCHESTER COMMUNICATION ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012

27. PENSION AND OTHER OBLIGATIONS (continued)

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

	At 31 August 2012
<i>Retiring Today</i>	
Males	20.1
Females	22.9
<i>Retiring in 20 years</i>	
Males	22.5
Females	25.0

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

	Expected return at 31 August 2012	Fair value at 31 August 2012 £000	Expected return at 31 August 2011	Fair value at 31 August 2011 £000
Equities	5.5%	271	6.8%	72
Bonds	3.4%	79	4.6%	22
Property	3.7%	20	4.8%	7
Cash	2.8%	24	3.9%	9
Total market value of assets		394		110
Present value of scheme liabilities				
- Funded		(476)		(112)
Surplus/(deficit) in the scheme		(82)		(2)

The actual return on the scheme assets for period 1 October 2011 to 30 June 2012 was 8.6%. The estimated return on the scheme assets for period 1 September 2011 to 31 August 2012 is 8.6%.

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

27. PENSION AND OTHER OBLIGATIONS (continued)

Amounts recognised in the statement of financial activities

	2012 £000
Current service cost (net of employee contributions)	88
Total operating charge	<u>88</u>

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	(22)
Interest on pension liabilities	<u>21</u>
Pension finance income / (costs)	<u>(1)</u>

Local Government Pension Scheme (Continued)

The actual gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £97,000 loss (2011 £ 3,000 gain)

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

	2012 £000
At 1 September 2011	112
Current service cost	88
Interest cost	21
Employee contributions	39
Actuarial (gain)/loss	216
At 31 August 2012	<u>476</u>

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

	2012 £000
At 1 September	110
Expected return on assets	22
Actuarial gain/(loss)	129
Employer contributions	94
Employee contributions	39
At 31 August	<u>394</u>

The estimated value of employer contributions for the year ended 31 August 2013 is £112,000

MANCHESTER COMMUNICATION ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

27. PENSION AND OTHER OBLIGATIONS (continued)

The five-year history of experience adjustments is as follows.

	2012 £000	2011 £000
Defined benefit obligation at end of year	(476)	(112)
Fair value of plan assets at end of year	394	110
Surplus/(Deficit)	<u>(82)</u>	<u>(2)</u>
Experience gains/(losses) on share of scheme assets		
Amount £'000*	<u>129</u>	<u>(1)</u>
Experience gains/(losses) on scheme liabilities:		
Amount £'000*	<u>(122)</u>	<u>-</u>

28. RELATED PARTY TRANSACTIONS

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

Manchester City Council provided £40,000 of sponsorship to the academy in 2011/12. There were no other transactions with MCC outside its role as the Local Authority to the Academy.