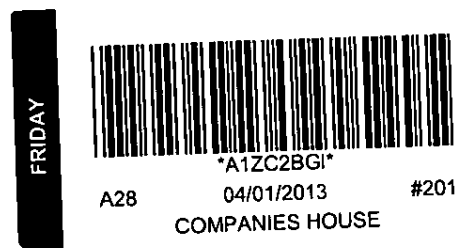


**The Midland Academies Trust  
(A Company Limited by Guarantee)  
(Formerly known as the Nuneaton Academy Trust)**

**Annual Report and Financial Statements**

**Year ended 31 August 2012**



**Company Registration Number:  
7191874 (England and Wales)**

## **The Midland Academies Trust**

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## **The Midland Academies Trust**

### **Reference and Administrative Details**

#### **Principal Addresses:**

The George Eliot School  
Raveloe Drive  
Nuneaton  
Warwickshire  
CV10 7PD

Hartshill School  
Church Road  
Hartshill  
Nuneaton  
Warwickshire  
CV10 0NA

Midland Studio College (Hinckley)  
Spa Lane  
Hinckley  
Leicestershire  
LE10 1JB

The Nuneaton Academy  
Radnor Drive  
Nuneaton  
Warwickshire  
CV10 7PD

#### **Registered Office:**

Hinckley Road  
Nuneaton  
Warwickshire  
CV11 6BH

## The Midland Academies Trust

### Details of Serving Directors

The Directors who served on the Trust during the year and up to the date of signature of this report were as listed in the table below

Name	Appointment Date for Current Term	Term of Office	Date of Resignation	Status of Appointment	Committees Served
Mrs S Beckett	16 <sup>th</sup> March 2010	4 years to 31 <sup>st</sup> July 2014	-	Sponsor	-
Ms A Melville	17 <sup>th</sup> June 2010	4 years to 31 <sup>st</sup> July 2014	-	Sponsor	F&RC*
Dr M Motley	12 <sup>th</sup> July 2011	4 years to 31 <sup>st</sup> July 2015	-	Sponsor	PMC*
Mrs L Penrose	12 <sup>th</sup> July 2011	4 years to 31 <sup>st</sup> July 2015	-	Sponsor	PMC*
Mrs M Plant	16 <sup>th</sup> March 2010	4 years to 31 <sup>st</sup> July 2014	-	Sponsor	F&RC*
Mr T Render	16 <sup>th</sup> March 2010	4 years to 31 <sup>st</sup> July 2014	-	Sponsor	F&RC*
Dr R Sharif	11 <sup>th</sup> September 2012	4 years to 31 <sup>st</sup> July 2016	-	Sponsor	-
Dr J Walsh	5 <sup>th</sup> September 2011	4 years to 31 <sup>st</sup> July 2015	-	Sponsor	PMC*

\*F&RC - Finance and Resources Committee / PMC - Performance Management Committee

### Directors Attendance at Board Meetings for 2011-2012

Attendance is noted below - all meetings were quorate

	6.9 11	1.11 11	20 12.11	28 2.12	26 3 12	24 4 12	10 7 12
Mrs S Beckett	✓	✓	✓	✓	✓	✓	✓
Ms A Melville	✓	✓	✓	✓	✓	✓	✓
Dr M Motley	x	✓	✓	✓	✓	✓	✓
Mrs L Penrose	✓	✓	✓	x	x	x	✓
Mrs M Plant	✓	✓	✓	✓	✓	✓	✓
Mr T Render	✓	✓	✓	✓	✓	x	✓
Dr J Walsh	✓	✓	✓	✓	✓	x	x

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## **The Midland Academies Trust**

### **Administrative Details**

#### **Company Secretary**

Rachel Marshall

#### **Finance Director**

Chris Knight

#### **Finance Manager**

Rick Van Driel

#### **Auditors**

Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

#### **Bank**

Lloyds TSB Bank plc  
Great Hampton Street  
Birmingham  
B18 6AH

#### **Solicitors**

Eversheds LLP  
Eversheds House  
70 Bridgewater Street  
Manchester M1 5ES

**Company Number Registration Number**  
**7191874 (England and Wales)**

## **The Midland Academies Trust**

### **Directors' Report**

The Directors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31<sup>st</sup> August 2012

### **Structure, Governance and Management**

#### **Constitution**

The Midland Academies Trust (the Trust) is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Trust.

The Directors act as the trustees for the charitable activities of The Midland Academies Trust and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Midland Academies Trust. From 1<sup>st</sup> September 2010 to 31<sup>st</sup> August 2011 the Trust was known as The Nuneaton Academy Trust.

Details of the Directors who served throughout the year are included in the Reference and Administrative Details on page 4.

#### **Members' Liability**

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

#### **Directors and Governors' Indemnities [See Companies Act 2006 s236]**

The Midland Academies Trust has in place Directors' and Governors' liability insurance indemnity cover to a limit of £5m.

#### **Principal Activities**

The principal activities of the Trust are as set out in its Articles of Association namely:

*To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools ("the Academies") offering a broad and balanced curriculum*

The mission statement of the Trust is:

*Working together to release potential and transform lives*

The Trust's mission will be delivered through the following aims:

- i an inspirational learning experience,
- ii leading dynamic partnerships to increase participation in education and training,
- iii providing flexible business solutions which improve performance,
- iv creating enterprise and entrepreneurship

#### **Method of Recruitment and Appointment or Election of Directors and Governors**

There are clearly defined and approved procedures for the selection and appointment of Directors and Local Governing Body Governors which are set out in the Trust's Standing

## The Midland Academies Trust

Orders These include application, shortlisting and interviewing procedures. Consideration is given to the skills of Directors and Governors which would enhance the effectiveness of the Trust. The Standing Orders are reviewed annually.

With regards to the appointment of parent and staff governors, procedures are in place for their nomination, election and appointment.

An induction seminar has been developed for Directors and Governors with the following aim:

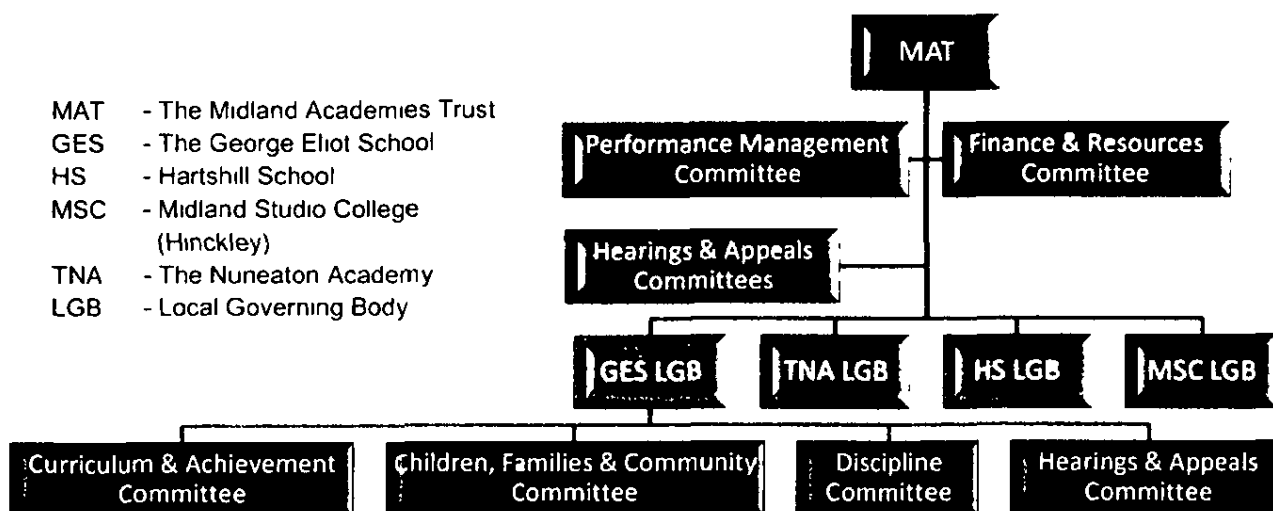
*To enable Directors and Governors to understand and become effective in the performance of their respective roles*

The objectives of the seminar have been designed so that at the end of the seminar Directors and Governors will be able to:

- i summarise the Sponsor vision and role,
- ii identify the type of school an academy is and how it is different from a maintained school,
- iii outline the relevant governance structures which are in place to support the ownership and the running of the academies,
- iv highlight the relevant statutory and regulatory responsibilities of Directors and Governors,
- v describe the responsibilities, accountabilities and liabilities of Directors and Governors and how those roles interface,
- vi summarise the key characteristics of effective governance and suggest how directors and governors will work effectively together and with Principals,
- vii identify further development opportunities.

The Seminar was delivered for the first time in November 2011 with the attendance of the majority of Directors and Governors. The Seminar was evaluated to enable improvements to be made. All Directors and Governors were provided with a Handbook to assist them in their duties. Further training on areas of exclusion, health and safety, equality and diversity and safeguarding is planned. Directors and Governors were asked to identify further areas of development that they required and this is being reviewed to enable an action plan and development programme to be developed.

## Organisational Structure



## The Midland Academies Trust

The Midland Academies Trust Board of Directors (the Board) is required to agree a formal schedule of matters reserved for its decision, i.e. those matters which should not be delegated. As provided by Article 105 of the Articles, the Board may delegate to any Director, committee (including any Local Governing Body), the Chief Executive Officer (if appointed), any Principal or any other holder of an executive office, such of its powers or functions as it considers desirable, to be executed by them. Any such delegation may be made subject to any conditions the Board may impose and may be revoked or altered. To this end the Board has approved a Scheme of Delegation which it reviews annually.

Where any power or function of the Board is exercised by any committee (including any Local Governing Body), any Director, the Chief Executive Officer, any Principal or any other holder of an executive office, that person or committee shall report to the Board in respect of any action taken or decision made with respect to the exercise of that power or function at a Board meeting immediately following the taking of the action or the making of the decision.

The exercise of any delegated power or functions does not include the further delegation of that power, unless expressly provided by the Board.

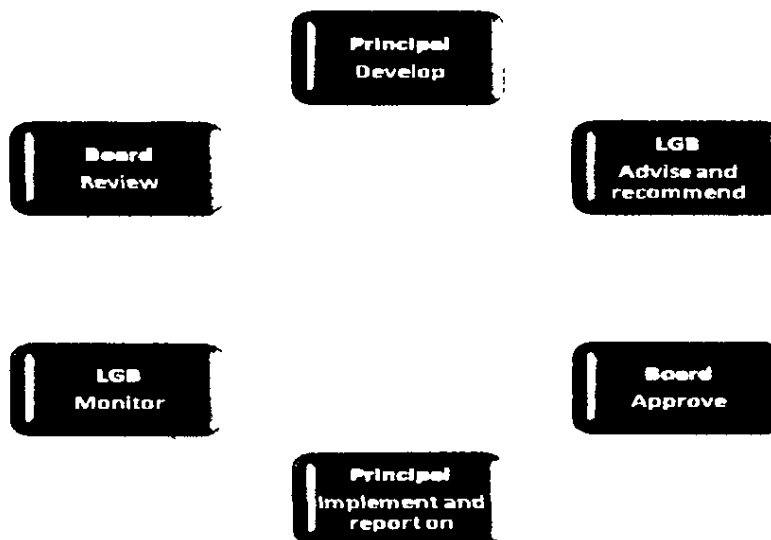
The objectives of the Scheme of Delegation are to ensure that

- i the exercise of delegated powers and functions occur at the correct level of the corporate governance structure,
- ii the process of delegating powers or functions is clear, open and transparent,
- iii the lines of accountability for the exercise of powers or functions are clearly understood by those who are delegated to.

The delegations are phrased so as to clearly express how the delegation is to be exercised and reflect the role of the person or body being delegated to. Therefore

- i a Principal or other executive office holder will develop, implement and report on a matter so delegated,
- ii Local Governing Bodies will advise on/recommend and monitor a matter so delegated,
- iii the Board will approve and review a matter so delegated.

This forms a cyclical process as demonstrated below, which is given effect to in the Governance Business Planner





## **The Midland Academies Trust**

Two Schemes of Delegation have been approved

- i general delegations relating to twenty two key functions,
- ii specific financial delegations including a summary of authorisation levels

A comprehensive set of Financial Regulations has also been developed

The Midland Academies Trust senior leadership team is made up of the three Principals and one Executive Principal of the three Academies and one Studio School. The Board is also advised by the Company Secretary and the Finance Director.

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

The Midland Academies Trust, (originally registered as The Nuneaton Academy Trust) was incorporated on 16<sup>th</sup> March 2010 as a single academy trust. It was formed from two predecessor County Council schools (Manor Park Community School and Alderman Smith School) and operated for its first academic year, commencing 1<sup>st</sup> September 2010, on the two predecessor sites, moving to the single Radnor Drive site from 1<sup>st</sup> September 2011.

On 1<sup>st</sup> September 2011, the trust became a multi-academy trust and the company registered name was changed to The Midland Academies Trust. The change to multi-academy trust status was required as The George Eliot School joined the Trust on 1<sup>st</sup> September 2011. On the 1<sup>st</sup> September 2012 Hartshill School converted to academy status under the Trust and The Midland Studio College (Hinckley) also joined the Trust.

There are further plans to open a second Studio School in Nuneaton in September 2012 (The Midland Studio College (Nuneaton)) and work is on-going to progress this development.

North Warwickshire and Hinckley College is the sponsor of The Midland Academies Trust and all the academies and the Studio College have strong links with the College. It should be noted that because Hartshill School converted to academy status and was not sponsored, NWHC is the School's educational partner.

The role of the sponsor/ educational partner is to

- i share its educational experience,
- ii appoint sponsor directors,
- iii appoint the first Principal of any sponsored academy,
- iv select the academy specialism,
- v develop the educational vision for the academy,
- vi support and assist the Trust and its academies

### **Objects and Aims**

The principal object of the Trust as set out in its Articles of Association is specifically restricted to the following

*to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools ("the Academies") offering a broad and balanced curriculum*

The Trust intends to establish and maintain, and to carry on or provide for the carrying on of a number of Academies in accordance with its Master Funding Agreement and the academy Supplemental Agreements.

## **The Midland Academies Trust**

The profile of each of the academies is as follows

- I **The George Eliot School** - the curriculum provided by the Academy to students up to the age of 16 is broad and balanced with an emphasis in its secondary education on business and enterprise and provides for students of different abilities. The Academy offers its facilities within the local community.
- II **Hartshill School** - the curriculum provided by the Academy to students up to the age of 16 shall be broad and balanced with an emphasis in its secondary education on science and the arts and provides for students of different abilities. The Academy offers its facilities within the local community.
- III **The Nuneaton Academy** - the curriculum provided by the Academy to students up to the age of 19 is broad and balanced with an emphasis in its secondary education on science and engineering and provides for students of different abilities. The Academy offers its facilities within the local community.
- IV **The Midland Studio College (Hinckley)** - the curriculum provided by the Studio School to students up to the age of 19 is broad and balanced (including English, Maths and Science) and includes provision for obtaining employability skills through project based learning and provides for students of different abilities.

The admission arrangements for the academies and the Studio School are set out within the relevant supplemental funding agreements and comply with the Schools' Admissions Code.

## **Objectives, Strategies and Activities**

The vision of the Trust is to create the following

- I a cohesive cluster of education establishments which become the leading education provider of good quality provision in the catchment area of the North Warwickshire & Hinckley College, (Hinckley and Bosworth, Nuneaton and Bedworth and North Warwickshire),
- II excellent learning provision which will focus on the individual needs of young people enabling them to successfully progress to Further Education, Higher Education or employment,
- III a strong family of schools which benefit from the interaction of both the North Warwickshire & Hinckley College and the various schools involved,
- IV a family in which all schools involved progress to an 'Outstanding' Ofsted category and outstanding in other external evaluations,
- V the North Warwickshire & Hinckley College being held in high esteem as a sponsor organisation by the partnering schools, local community and beyond.

This vision will be achieved by

- I ensuring the appropriate level of expertise/capacity within the Trust and resourcing accordingly,
- II putting in place a funding strategy for the Trust, which is transparent, has an appropriate pricing strategy and from which a budget can be developed,
- III developing a critical mass of partner schools to optimise benefits from the partnership and support the funding strategy,
- IV protecting the position of the North Warwickshire & Hinckley College in delivering its vision for the Trust in terms of its 'influence' and capacity,
- V nurturing the schools within the group and developing a confidence,
- VI building on current networks and seeking effective partnerships to support the vision,

## **The Midland Academies Trust**

- vii making the most of Government policy and DfE links

The strategic objectives listed below are short-term priorities in that they form the foundations for supporting the Trust's vision

### **1 Aim.**

Ensure the appropriate level of expertise/capacity within the Trust and resource accordingly

#### **Objectives:**

- i Develop a relevant Trust management and administrative infrastructure
- ii North Warwickshire & Hinckley College developing sufficient capacity to support the Trust and the partnering schools, without impacting upon the standards within the College
- iii Developing a governance structure which makes best use of the skill set of each of the Directors and governors of the Local Governing Bodies
- iv Each school having an outstanding staff profile supported by a strong team of service provision to the schools

### **2 Aim**

Form a funding strategy for the Trust, which is transparent, has an appropriate pricing strategy and from which a budget can be developed Develop a procurement strategy for goods and services, which contributes to the overall effectiveness of the funding strategy

#### **Objectives:**

- i Consider a funding and pricing strategy for supporting the Trust infrastructure, services to partnering schools, project management and which is able to respond to future growth plans
- ii Obtain 'buy in' to the funding/pricing strategy from our existing school partners
- iii Create a budget accordingly
- iv Consider ways of promoting the funding strategy to potential partners
- v Review the effectiveness/costs of commercial contracts for goods and services, seeking to optimise the opportunities of joint procurement as each contract is renewed

### **3 Aim**

Being clear of the tangible benefits available to the schools and promoting these accordingly

#### **Objectives:**

- i Identify benefits which are easy wins first, then longer term benefits
- ii Be clear on the funding strategy required to create these tangible benefits and ensure that all partner schools 'buy in' to this strategy
- iii Distinguish between the offer of North Warwickshire & Hinckley College as a Further Education provider and North Warwickshire & Hinckley College and its offer to the school partners
- iv Use these benefits as a means of encouraging schools to become part of the critical mass

### **4 Aim.**

Develop a critical mass of partner schools to optimise benefits from the partnership and support the funding strategy

#### **Objectives:**

- i Identify the number of schools to make up the critical mass
- ii Identify those schools/opportunities which best support the vision Options include schools within a local footprint, a mix of schools from a range of sectors

## **The Midland Academies Trust**

(primary, secondary, special Pupil Referral Units), a mix of sponsored/supported/convertor academies, the creation of new schools (studio schools, University Technical Colleges) and schools who want to share procurement and services but do not wish to be governed by the Trust. Establish a set of criteria for determining the best blend of schools and carry out an options appraisal accordingly

- iii Determine appropriate due diligence checks as a means of assessing the level of risk/opportunity that a specific school/opportunity may create for the Trust

### **5 Aim:**

Protect the position of North Warwickshire & Hinckley College in delivering its vision for the Trust in terms of its 'influence' and capacity

#### **Objectives:**

- i The Trust governance structure reviewed and future proofed to ensure the 'influence' of North Warwickshire & Hinckley College
- ii North Warwickshire & Hinckley College developing sufficient capacity to support the Trust and the partnering schools, without impacting upon the standards within the College

### **6 Aim:**

Nurture the schools within the group and develop a confidence

#### **Objectives:**

- i For those schools currently within the partnership, create a culture and the means by which Principals and staff work together to support each other
- ii Ensure those schools that are currently within the partnership perform well. Local Governing Bodies having a clear understanding and remit, with appropriate levels of expertise
- iii 'Talent spot' within North Warwickshire & Hinckley College and partnering schools and develop appropriate Continuous Professional Development opportunities
- iv Know the prospective schools well and be clear on their objectives, due diligence checks before taking them on

### **7 Aim:**

Build on current networks and seek effective partnerships to support the vision

#### **Objectives:**

- i Identify those networks which provide the best opportunity - Local Authorities, industry partners, political allies - local and national, education trusts, schools outside the family

### **8 Aim: Make the most of Government Policy and DfE links**

#### **Objectives**

- i Constantly keeping abreast of policy and conversations with relevant DfE links

## **Public Benefit**

The Board of Directors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties

'Public benefit' is the legal requirement that every organisation set up for one or more charitable purposes must be able to demonstrate that its aims are for the public benefit. The charitable purpose of the Trust is the advancement of education

## **The Midland Academies Trust**

The main benefits that can be seen in 2011-2012 are the continuing improvements over time, in educational achievements for the students at The George Eliot School and The Nuneaton Academy as is demonstrated below

	The George Eliot School		The Nuneaton Academy	
	2010-2011	2011-2012	2010-2011	2011-2012
Headline success rates - GCSE's 5+ A*- C (including English and Maths)	40%	56%	40%	49%

The achievements of the Trust in 2011-2012 include

- i) the on-going work undertaken in developing a shared services model to realise economies of scale and reduce costs for academies,
- ii) close working relationships between academies and the sponsor, particularly in respect of sharing staff members to reduce cost and share knowledge and expertise,
- iii) the completion of the 3G AGP at The Nuneaton Academy, which provides enhanced physical educational and recreational facilities for students,
- iv) improved facilities within The George Eliot School (including new science laboratories) as a result of becoming an academy on 1<sup>st</sup> September 2011,
- v) the conversion of the Hartshill School to an academy within The Midland Academies Trust on 1<sup>st</sup> September 2012,
- vi) the opening of Midland Studio College (Hinckley) on 1<sup>st</sup> September 2012 to provide a different learning experience to students by obtaining employability skills through project based learning and work placements,
- vii) the start of the capital project development at The Nuneaton Academy to refurbish and rebuild the premises, thereby providing significant improvements to the learning environment of students

## **Going Concern**

After making appropriate enquiries, the Board of Directors has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

## **Key Financial Performance Indicators**

The Finance and Resources Committee monitor actual performance against budget and cash flow forecast during the period being reported. Further financial and non-financial indicators will be developed as the Trust develops.

## **Financial Review**

The principal source of funding for the Trust is the General Annual Grant, together with Start-up Grants. Expenditure has supported the key financial objectives of the Trust which are to

- i) Efficiently expend Trust funds to effectively support the Trust's educational plans and ambitions,
- ii) Ensure the on-going solvency of each Academy,

### **The Midland Academies Trust**

- iii Work efficiently with the sponsor and other educational institutions to efficiently share costs,
- iv Minimise the scope for claw-back,
- v Improve the Trust estate over the short and medium term

Excluding transfers between restricted funds, and before gains and losses associated with pensions, during the period ending 31 August 2012, total expenditure of £11,945,338 was less than recurrent grant funding of £13,176,928, transfer of assets from Local Authority on conversion of £10,555,092, and other incoming resources of £245,411. The excess of income over expenditure for the period was £12,032,093.

At 31 August 2012 the net book value of fixed assets was £12,527,558, and movements in fixed assets are shown in the notes to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The Trust's non-teaching staff is entitled to membership of the Local Government Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Academy's balance sheet shows a net liability of £1,864,000.

The Trust's budget for 2012/13 shows a planned surplus of £7,407 for that year, including the cumulative funds to be carried forward of £12,699,565 for the current year, results in a total of unrestricted and restricted funds available of £12,706,972 for academic year 2013/14. Given the subsequent increase in the size of the Trust and the uncertainty over levels of funding, it is not possible to reliably predict the Trust's financial position beyond this planning period.

### **Financial and Risk Management Objectives and Policies**

The Trust's financial and risk management objectives are documented in its

- i Official budgets
- ii Scheme of Delegation
- iii Financial Regulations
- iv Risk Management Policy

These documents are available on request, and particular items which warrant specific disclosure are noted within this annual report.

### **Risk Management and Principal Risks and Uncertainties**

The Board has considered the risks faced by the Trust throughout its normal operational business. It has sought to address the risks faced by the Trust by establishing appropriate governance and management arrangements, including the appointment of senior staff and other managers, and establishing robust operational policies. The Board considers that these arrangements have been effective throughout the period being reported.

The Board intends to build on this success by establishing a formal risk management policy, which will formally document the managerial action that is taking place, and should enable future risk management to be more systematic.

At the time of reporting, the Trust's identified key risks are

- i Attainment in non-core EBACC subjects below expectation,
- ii Loss of significant teachers in key department areas or significant absence resulting in lower standards of achievement,
- iii Boilers fail resulting in closure of Academy in the short or medium term,

### **The Midland Academies Trust**

- iv Loss of water supply resulting in closure of Academy in the medium or long term,
- v Employer engagement - securing sufficient number of quality work placements,
- vi Leadership continuity,
- vii Low number of pupils in Sixth Form

Mitigating action, both current and planned, has been identified to address these risks. This is also true of all other risks that have been formally identified which have a lower level of impact and/or likelihood.

### **Reserves Policy**

The Trust's policy on reserves is to maintain sufficient reserves to enable the Trust to operate effectively in what is becoming a less certain economic and funding environment, and also to fund future capital improvements. At the end of the year being reported, the Trust held unrestricted reserves of £736,030. The level of unrestricted reserves shall be reviewed annually by the Board, with the eventual aim of holding at least one month's expenditure (budgeted monthly expenditure £1.6 million) in hand. At present, the level of reserves is approximately 46% of this desired level.

Restricted general reserves amount to £1,153,304. These funds will be spent or held in accordance with the terms of the relevant funding agreements. The Trust plans to spend these funds either to address any current year shortfall in funding, or to use them in the on-going investment in the Academy estate, subject to satisfying the terms and conditions of the grant funding.

### **Investment Policy**

All investments are made in accordance with the policy of the Trust. The Trust's policy on investments is one of minimum risk, with all investments being held with the Trust's bankers. The Trust will nevertheless seek to maximise interest receipts within this arrangement. This policy will be reviewed in the year ending 31 August 2013. Investments are made with regard to Charity Commission guidance in relation to investments.

### **Plans for Future Periods**

The future plans for the Trust include

- i the opening of The Midland Studio College (Nuneaton) in September 2013,
- ii the continued refurbishment of The Nuneaton Academy following a major investment into new buildings and refurbishment,
- iii continued development of governance processes and structures in light of experience over time and the growing size of the Trust.

### **Auditor**

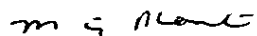
In so far as the Directors are aware

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

**The Midland Academies Trust**

Approved by order of the Trust Board of Directors on 18<sup>th</sup> December 2012 and signed on its behalf by

**Signed**

A handwritten signature in black ink, appearing to read 'm s plant'.

**Marion Plant OBE**

**[Chair]**



## **The Midland Academies Trust**

### **Governance Statement**

#### **Scope of Responsibility**

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

The Board of Directors has delegated the day-to-day responsibility to each of the academy Principals, to ensure financial controls conform to 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 The Trust and the Secretary of State for Education. The Principals are also responsible for reporting to the Board any material weaknesses or breakdown in internal control.

The Accounting Officer for the Trust is the Chair of the Board of Directors, Marion Plant.

#### **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 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 Trust 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 Board has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board has established a risk management policy to provide a formal on-going process for identifying, evaluating and managing the Trust's significant risk. This has been in place throughout the period September 2011 - August 2012 and up to the date of signing the financial statements and the Board is of the view that risks have been adequately considered and managed throughout this period.

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

The 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

- i comprehensive budgeting and monitoring systems with an annual budget recommended by the Finance and Resources Committee and approved by the Board,
- ii periodic financial reports which are reviewed and agreed by the Board's Finance and Resources Committee,
- iii the establishment of an experienced management framework, to oversee financial management within the Trust,

### **The Midland Academies Trust**

- iv the development of robust financial regulations and procedures, and the establishment of audit requirements, for example, the Responsible Officer,
- v delegation of authority and segregation of duties,
- vi identification and management of risks on a more systematic basis for all academies and the Trust

The Board has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. At its meeting on 6<sup>th</sup> September 2011, Directors approved the appointment of UHY Hacker Young.

No material control issues have been identified by the management or the Board.

### **Review of Effectiveness**

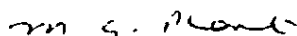
As Accounting Officer, the Chair of the Board of Directors has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by

- i the work of the Responsible Officer,
- ii the work of the external auditor,
- iii the financial management and governance self-assessment process,
- iv the work of the executive managers within the 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 the reviews of the system of internal control by the Finance and Resources Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Trust on 18 December 2012 and signed on its behalf by

**Signed**



**Marion Plant OBE**

**[Chair & Accounting Officer]**

## **The Midland Academies Trust**

### **Statement of Regularity, Propriety and Compliance**

As accounting officer of The Midland Academies Trust 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 irregularity, impropriety or funding non-compliance have been discovered to date.

**Signed**



**Marion Plant OBE**

**[Accounting Officer]**

## **The Midland Academies Trust**

### **Statement of Directors' Responsibilities**

The Directors (who act as trustees for charitable activities of the Trust and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency (EFA), United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure for that period. In preparing these financial statements, the Directors are required to

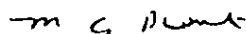
- i select suitable accounting policies and then apply them consistently,
- ii observe the methods and principles in the Charities SORP,
- iii make judgements and estimates that are reasonable and prudent,
- iv state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- v prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business

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

The Directors 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.

Approved by order of the members of the Trust on 18 December 2012 and signed on its behalf by

**Signed**



**Marion Plant OBE**

**[Chair]**

## **The Midland Academies Trust**

### **Independent Auditor's Report to the Directors of The Midland Academies Trust**

We have audited the financial statements of The Midland Academies Trust for the year ended 31<sup>st</sup> August 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Academies Accounts Direction 2011/12 issued by the Education Funding Agency and applicable law.

This report is made solely to the Academy Trust'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 Academy Trust'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 Academy Trust and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities on page 17, the Directors (who are the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### **Scope of the Audit of the Financial Statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the Financial Statements**

In our opinion the financial statements

- i give a true and fair view of the state of the Academy Trust's affairs as at 31<sup>st</sup> August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- ii have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- iii have been prepared in accordance with the requirements of the Companies Act 2006, and
- iv the financial statements have been prepared in accordance with the Financial Reporting and Annual Accounts Requirements issued by the Education Funding Agency in respect of the relevant financial year.

### **Opinion on Other Matters Prescribed by the Companies Act 2006**

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

### **Opinion on Other Matters Prescribed by the Education Funding Agency**

Grants made by the Education Funding Agency have been applied for the purposes intended.

**The Midland Academies Trust**

**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

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

*Kyla Bellingall*

Kyla Bellingall, ACCA

Senior Statutory Auditor

for and behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date 15/10/2012

## **The Midland Academies Trust**

### **Independent Reporting Accountant's Assurance Report on Regularity to The Midland Academies Trust and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 16 November 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Midland Academies 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 Midland Academies Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Midland Academies Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Midland Academies Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of The Midland Academies Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The Midland Academies Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook as published by DfES in 2006, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2011/12 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

## **The Midland Academies Trust**

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the 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

*Grant Thornton UK LLP*

Grant Thornton UK LLP

Birmingham

Date 15/12/2012



## The Midland Academies Trust

Statement of Financial Activities for the Year to 31 August 2012

(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Notes	Unrestricted Funds £	Restricted General Fund £	Restricted Fixed Assets Funds £	Total 2012 £	Total 2011 £
<b>Incoming resources</b>						
<i>Incoming resources from generated funds</i>						
- Voluntary income	3	43 228	7 819	0	51 047	19 960
- Voluntary income - transfer from Local Authority on conversion	4	436,106	0	10 118 986	10 555 092	0
- Activities for generating funds	5	94 566	6 981	0	101 547	40 141
- Investment income	6	0	0	0	0	0
- Other income	7	4 445	88 372	0	92 817	304 084
<i>Incoming resources from charitable activities</i>						
Funding for the Academy's educational operations	8	0	11 719 697	1 457 231	13 176 928	9 404 758
<b>Total incoming resources</b>		<b>578 345</b>	<b>11 822 869</b>	<b>11 576,217</b>	<b>23 977 431</b>	<b>9 768 943</b>
<b>Resources expended</b>						
<i>Cost of generating funds,</i>						
- Costs of generating voluntary income	10	68 837	5,763	0	74 600	13,560
- Other resources expended - transfer from Local Authority on conversion		0	0	0	0	0
<i>Charitable activities</i>						
- Academy's educational operations	11	0	11 289 534	414 570	11 704 104	8 503 298
Governance costs	12	0	166 634	0	166 634	27 768
<b>Total resources expended</b>		<b>68 837</b>	<b>11 461 931</b>	<b>414 570</b>	<b>11 945 338</b>	<b>8 544 626</b>
<b>Net incoming / (outgoing) resources before transfers</b>		<b>509 508</b>	<b>360 938</b>	<b>11 161 647</b>	<b>12 032 093</b>	<b>1 224 317</b>
Gross transfers between funds	21	(76 541)	(327 998)	404 539	0	1 181 155
<b>Net income/(expenditure) for the year</b>		<b>432 967</b>	<b>32 940</b>	<b>11 566 186</b>	<b>12 032 093</b>	<b>2 405 472</b>
<b>Other recognised gains and losses</b>						
Brought forward defined benefit pension scheme liability	21	0	(736 000)	0	(736 000)	(676,000)
Actuarial gains / (losses) on defined benefit pension schemes	32	0	(388 000)	0	(388 000)	62 000
<b>Net movement in funds</b>		<b>432 967</b>	<b>(1,091 060)</b>	<b>11 566 186</b>	<b>10 908 093</b>	<b>1 791 472</b>
<b>Reconciliation of funds</b>						
Funds brought forward at 1 September 2011	21	303 063	380 365	1 108 044	1 791 472	0
<b>Funds carried forward at 31 August 2012</b>		<b>736 030</b>	<b>(710 695)</b>	<b>12 674 230</b>	<b>12 699 565</b>	<b>1 791 472</b>

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

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

# The Midland Academies Trust

Balance Sheet as at 31st August 2012

	Notes	2012 £	2012 £	2011 £	2011 £
<b>Fixed Assets</b>					
Tangible assets	16		12 480 760		984 583
Intangible assets	17		46 798		26,825
<b>Total fixed assets</b>			<u>12 527,558</u>		<u>1 011 408</u>
<b>Current Assets</b>					
Stock	18	26 543		3 800	
Debtors	19	953,105		236 485	
Cash at bank and in hand		3 233 766		1 683 869	
<b>Total current assets</b>		<u>4 213 414</u>		<u>1 924 154</u>	
<b>Liabilities</b>					
Creditors Amounts falling due within one year	20	(2 177 407)		(479 100)	
<b>Net current assets</b>			2 036 007		1 445 054
<b>Total assets less current liabilities</b>			14 563 565		2 456 462
<b>Net assets excluding pension liability</b>			14,563 565		2 456 462
Pension scheme liability	32		(1 864 000)		(665 000)
<b>Net assets including pension liability</b>			<u>12 699 565</u>		<u>1,791 462</u>
<b>Funds of the academy,</b>					
<b>Restricted income funds</b>					
- Fixed asset funds	21		12 674 231		1 108 044
- General funds	21		1 153 304		1,045 365
- Pension reserve	21		(1 864,000)		(665 000)
<b>Total restricted funds</b>			<u>11 963,535</u>		<u>1 488 409</u>
<b>Unrestricted funds</b>					
- General funds	21		736 030		303 063
<b>Total unrestricted funds</b>			<u>736 030</u>		<u>303 063</u>
<b>Total Funds</b>			<u>12 699 565</u>		<u>1,791 472</u>

The financial statements on pages 25 to 44 were approved by the Directors and authorised for issue on 18 December 2012 and signed on their behalf by

*m c plant*

Marion Plant  
Chair  
Company Number 7191874

# **The Midland Academies Trust**

## **Cash Flow Statement for the year ended 31 August 2012**

	Notes	2012 £	2011 £
Net cash inflow from operating activities	24	1 468 284	2 865 024
Net cash inflow from cash transferred on conversion to an academy trust	25	436,106	0
Net cash inflow from returns on investment and servicing of finance	26	0	0
Net cash outflow from capital expenditure and financial investment	27	(354 493)	(1 181 155)
<b>Increase / (decrease) in cash in the year</b>		<u>1 549 897</u>	<u>1 683 869</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September		1 683 869	0
Net funds at 31 August		<u>3,233 766</u>	<u>1,683 869</u>

# The Midland Academies Trust

## 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 Educational Funding Agency 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 directors 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 directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

#### Incoming Resources

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

##### o 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.

##### o Sponsorship Income

Sponsorship income is provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable where there is certainty of receipt.

##### o Donations

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

##### o 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.

##### o Donated services and gift in kind

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed assets category and depreciated over the useful economic life in accordance with Academy Trust's policies.

The Nuneaton Academy is operating from one site as of September 2011 (Radnor Drive) prior to that it was operating on two sites Beaumont Road and Radnor Drive. Once new build is completed then a long term leasing arrangement will be entered into with Warwickshire County Council at which point a valuation of the premises will be obtained to incorporate the asset into the Financial Statements.

#### 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.

# The Midland Academies Trust

## Notes to the Financial Statements for the year ended 31 August 2012 (continued)

### 1 Statement of Accounting Policies (continued)

#### o Costs of generating funds

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

#### o Charitable activities

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

#### o 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

### Tangible fixed assets

Assets costing £5 000 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 reducing balance over its expected useful economic lives as follows:

o Freehold buildings	1 year	-	50 years
o Long leasehold buildings	1 year	-	48 years
o Fixtures, fittings and equipment	1 year	-	10 years
o ICT equipment	1 year	-	4 years
o Motor Vehicle	1 year	-	5 years

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

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

No depreciation is charged in the year of acquisition on tangible assets.

### Transfer on conversion

Valuations for assets transferred from Local Authorities on conversion are made in accordance with the RICS Valuation - Professional Standards 8th Edition as published by the Royal Institution of Chartered Surveyors in so far as they are consistent with the Charities SORP financial reporting standards and HM Treasury FReM interpretation.

### Estimates

Asset records detailing clear values at the point of transfer from predecessor schools were not available for all fixed assets to enable accurate opening values. In order to estimate a transfer value the Trust has identified the assets transferred, obtained cost estimates and applied an adjustment to represent consumption at the assets' useful economic lives at transfer. This is considered to provide a reasonable estimate of the value of the assets for initial recognition purposes but should be regarded as a significant estimate in relation to the accounts.

### Intangible fixed assets

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset over its expected useful economic lives. No amortisation is charged in the year of acquisition on intangible assets.

o Software	1 year	-	4 years
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### Leased Assets

Rentals under operating leases are charged on an annual or quarterly basis over the lease term.

# **The Midland Academies Trust**

## **Notes to the Financial Statements for the year ended 31 August 2012 (continued)**

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

#### **Stock**

All stock is valued at the lower of cost or net realisable value

#### **Taxation**

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

#### **Pensions Benefits**

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

#### **Fund Accounting**

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

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

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

# The Midland Academies Trust

## Notes to the Financial Statements for the year ended 31 August 2012 (continued)

### 2.1 General Annual Grant (GAG)

The constituent academies funding agreements stipulate that each academy has a limit to the amount of unspent General Annual Grant (GAG) it can carry forward, a separate carry forward calculation has been prepared for each academy disclosing the amounts of GAG received and spent during the year and whether the amount unspent by each academy exceeds the carry forward limits set out in their funding agreement

### 2.2 General Annual Grant (GAG) - The Nuneaton Academy

	2012 £	2011 £
<b>a Results and Carry Forward for the year</b>		
GAG brought forward from previous year	100,556	0
GAG allocation for current year	6,514,926	7,943,781
<b>Total GAG available to spend</b>	<b>6,615,482</b>	<b>7,943,781</b>
Recurrent expenditure from GAG	(6,096,384)	(7,354,531)
Fixed assets purchased from GAG	(19,811)	(488,694)
<b>GAG carried forward to next year</b>	<b>499,287</b>	<b>100,556</b>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(781,791)	(953,254)
GAG to surrender to Department for Education (12% rule breached if result is positive)	(282,504)	(852,698)
	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	6,096,384	7,354,531
GAG allocation for current year	(6,514,926)	(7,943,781)
GAG allocation for previous year x 2%	(158,876)	0
GAG brought forward from previous year in excess of 2% used on recurrent expenditure in current year (2% rule breached if result is positive)	(577,418)	(589,250)
	No Breach	No Breach

### 2.3 General Annual Grant (GAG) - The George Eliot School

	2012 £	2011 £
<b>a Results and Carry Forward for the year</b>		
GAG brought forward from previous year	0	0
GAG allocation for current year	3,703,204	0
<b>Total GAG available to spend</b>	<b>3,703,204</b>	<b>0</b>
Recurrent expenditure from GAG	(3,577,851)	0
<b>Fixed assets purchased from GAG</b>	<b>(125,353)</b>	<b>0</b>
<b>GAG carried forward to next year</b>	<b>0</b>	<b>0</b>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(444,384)	0
GAG to surrender to Department for Education (12% rule breached if result is positive)	(444,384)	0
	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	3,577,851	0
GAG allocation for current year	(3,703,204)	0
GAG allocation for previous year x 2%	0	0
GAG brought forward from previous year in excess of 2% used on recurrent expenditure in current year (2% rule breached if result is positive)	(125,353)	0
	No Breach	No Breach

# The Midland Academies Trust

Notes to the Financial Statements for the year ended 31 August 2012 (continued)

3 Voluntary Income	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
	£	£	£	£	£
Other Donations	43,228	7,819	0	51,047	19,960
	43,228	7,819	0	51,047	19,960
4 Voluntary Income - transfer from Local Authority on conversion	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
	£	£	£	£	£
Inherited cash at bank and in hand	436,106	0		436,106	0
Inherited tangible fixed assets	0	0	10,118,986	10,118,986	0
	436,106	0	10,118,986	10,555,092	0
5 Activities for Generating Funds	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
	£	£	£	£	£
Educational visits	0	1,305	0	1,305	1,939
Hire of facilities	17,541	0	0	17,541	15,739
Sales of meals	52,341	5,676	0	58,017	0
Sport Centre	13,824	0	0	13,824	0
Uniform sales	10,860	0	0	10,860	22,463
	94,566	6,981	0	101,547	40,141
6 Investment Income	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
	£	£	£	£	£
Short term deposits	0	0	0	0	0
	0	0	0	0	0
7 Other Income	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
	£	£	£	£	£
Bank interest	4,445	0	0	4,445	0
Other Income	0	88,372	0	88,372	145,956
School Development Grant	0	0	0	0	158,128
	4,445	88,372	0	92,817	304,084



# **The Midland Academies Trust**

Notes to the Financial Statements for the year ended 31 August 2012 (continued)

8	Funding for the Academy's educational operations	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
		£	£	£	£	£
	<b>DfE / YPLA capital grant</b>					
	Academy main building grants	0	0	1,199,000	1 199 000	96 626
	ICT Equipment grant	0	0	192 000	192 000	0
	Devolved Formula Capital allocations	0	0	66 231	66 231	0
		0	0	1 457,231	1 457 231	96 626
	<b>DfE / YPLA revenue grants</b>					
	General Annual Grant (GAG) - (note 2)	0	10 218 130	0	10 218 130	7 943 781
	Start Up Grants	0	738 993	0	738 993	582 195
	Lead in and implementation grant	0	229 345	0	229 345	0
	Other DfE / YPLA grants	0	304 014	0	304 014	554 008
		0	11 490,482	0	11 490,482	9 079 984
	<b>Other Government grants</b>					
	AWPU/SSAT	0	51 473	0	51 473	0
	School Standards Funds	0	0	0	0	90 506
	Special educational projects	0	177 742	0	177 742	137 642
		0	229,215	0	229,215	228 148
		0	11 719 697	1 457 231	13,176 928	9 404 758

## **9 Resources Expended**

	Staff Costs	Non Pay Expenditure		Total 2012	Total 2011
	£	Premises	Other Costs	£	£
Costs of generating voluntary income	0	1 061	73 539	74,600	13 560
<i>Academy's educational operations</i>					
Direct costs	7 509 898	203 225	1 234 616	8 947 739	6 230 243
Allocated support costs	1 191 120	995 068	570 177	2 756 365	2 273 055
	8 701 018	1 198 293	1 804 793	11 704 104	8 503 298
Governance costs including allocated support costs	75 000	0	91 634	166 634	27 768
	8 776 018	1 199 354	1 969,966	11 945 338	8 544 626
<b>Net incoming / outgoing resources for the year include</b>				2012	2011
				£	£
Operating leases				27 671	22 430
Fees payable to auditor - audit				22 993	13 100
- other services				2 050	1 299

10	Cost of generating funds - costs of generating voluntary income	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
		£	£	£	£	£
	Educational supplies	0	5 763	0	5 763	0
	Maintenance of premises and equipment	1 061	0	0	1 061	0
	Catering	27 826	0	0	27 826	0
	Other support costs	39 950	0	0	39 950	13,560
		68 837	5 763	0	74 600	13 560

# The Midland Academies Trust

Notes to the Financial Statements for the year ended 31 August 2012 (continued)

11	<b>Charitable Activities - Academy's educational operations</b>	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
		£	£	£	£	£
	<i>Direct costs</i>					
	Teaching and educational support staff costs	0	7 509 898	0	7 509 898	5 094 581
	Depreciation and amortisation	0	0	203 225	203 225	169 737
	Educational supplies	0	628 735	0	628 735	613 297
	Examination fees	0	312 305	0	312 305	245 920
	Staff development	0	58 693	0	58 693	18 541
	Educational consultancy	0	196 937	0	196 937	81 338
	Other direct costs	0	37,946	0	37 946	6 829
		0	8 744 514	203 225	8 947 739	6,230 243
	<i>Allocated support costs</i>					
	Support Staff costs	0	1 191 120	0	1 191 120	674 033
	Depreciation and amortisation	0	0	211,345	211,345	0
	Recruitment and support	0	138 829	0	138 829	74 324
	Maintenance of premises and equipment	0	394 221	0	394 221	389 065
	Cleaning	0	254 200	0	254 200	171 812
	Rent & Rates	0	46 494	0	46 494	83 197
	Insurance	0	68 099	0	68 099	70 321
	Security and transport	0	20 709	0	20 709	24 343
	Catering	0	109 456	0	109 456	66 966
	Bank interest and charges	0	303	0	303	32
	Other support costs	0	321,589	0	321,589	718,962
		0	2 545 020	211 345	2,756 365	2 273 055
		0	11 289 534	414 570	11 704 104	8 503 298

12	<b>Governance costs</b>	Unrestricted Funds	Restricted General Funds	Restricted Fixed Assets Funds	Total 2012	Total 2011
		£	£	£	£	£
	Legal and professional fees	0	59,504	0	59 504	2 728
	Auditors remuneration	0	0	0	0	0
	Audit of financial statements	0	22 993	0	22 993	12 650
	- Audit of Teachers' Pensions Scheme	0	450	0	450	450
	- Responsible officer audit	0	1,600	0	1 600	1 299
	Support costs	0	82 087	0	82 087	10 591
	Governors' reimbursed expenses	0	0	0	0	50
		0	166 634	0	166 634	27 768
	<i>Support costs</i>					
	Total operating charge - note 32	0	270,000	0	270 000	87 000
	Pension finance income / (costs) - note 32	0	68 000	0	68 000	29 000
	Employer contributions note 32	0	(263 000)	0	(263,000)	(106 000)
	Clerk to governors	0	7 087	0	7,087	591
		0	82 087	0	82,087	10 591

13	<b>Staff costs</b>		
	<i>Staff costs during the period were</i>	2012	2011
		£	£
	Wages and salaries	6 697 694	3 918 885
	Social security Costs	512 458	302 887
	Other pension costs	890 265	504 905
		8 100 417	4 726 677
	Supply teacher costs	279 980	847 777
	Compensation payments	81 209	27 200
		8 461 606	5 601 654

## The Midland Academies Trust

### Notes to the Financial Statements for the year ended 31 August 2012 (continued)

#### Resources Expended (continued)

##### Staff costs (continued)

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2012 expressed as full time equivalents was as follows

	2012 No	2011 No
<i>Charitable Activities</i>		
Teachers	106	83
Administration and support	106	66
Management	19	15
	<u>231</u>	<u>164</u>

Seven employees earned more than £60 000 per annum (including taxable benefits but excluding employers' pension contributions) during the year ended 31 August 2012. The total emoluments of these employees were in the following range,

	2012 No	2011 No
£60 001 - £70 000	4	2
£70 001 - £80 000	1	0
£80 001 - £90 000	1	0
£90,001 - £100 000	0	0
£100 001 - £110 000	1	0

All of the above employees earning more than £60,000 per annum participated in the Teachers' Pension Scheme except for one employee who participated in the Local Government Pension Scheme. During the year ended 31 August 2012 pension contributions for these staff amounted to £57 926 (2011 £18 039)

#### 14 Governors' remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they provide undertaking the role 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.

During the year ended 31 August 2012 no travel and subsistence expenses were reimbursed to governors (2011 £50 to 1 governor)

Related party transactions involving the trustees are set out in note 33

#### 15 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 £5 000 000 on any one claim and the costs for the year ended 31 August 2012 was £1 969.

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

# The Midland Academies Trust

Notes to the Financial Statements for the year ended 31 August 2012 (continued)

16 Tangible Fixed Assets	Freehold Land and Buildings	Leasehold Land and Buildings	Furniture and Equipment	Computer Equipment	Motor Vehicles	Total 2012
	£	£	£	£	£	£
<b>Cost</b>						
At 1 September 2011	451 600	0	378,741	311 989	12 000	1 154,330
Transfer on conversion	10 055,390	0	63 596	0	0	10 118 986
Additions	52,670	1 062 247	216 020	454 108	0	1 785 045
Disposals	0	0	0	0	0	0
At 31 August 2012	10 559 660	1 062,247	658 357	766 097	12,000	13 058 361
<b>Depreciation</b>						
At 1 September 2011	4,200	0	55 137	106 400	4 000	169 737
Charged in year	220,545	0	81 341	101 978	4 000	407,864
Disposals	0	0	0	0	0	0
At 31 August 2012	224,745	0	136 478	208 378	8 000	577 601
<b>Net book values</b>						
At 31 August 2012	10 334 915	1 062,247	521 879	557,719	4 000	12 480 760
At 31 August 2011	447 400	0	323,604	205 589	8 000	984 593
<b>17 Intangible Fixed Assets</b>						2012 £
<b>Cost</b>						
At 1 September 2011						26 625
Additions						26 679
Disposals						0
At 31 August 2012						53 304
<b>Amortisation</b>						
At 1 September 2011						0
Charged in year						6 706
Disposals						0
At 31 August 2012						6 706
<b>Net book values</b>						
At 31 August 2012						46 598
At 31 August 2011						26 625
<b>18 Stock</b>						2012 £
Catering						2 403
Clothing						5 360
Educational supplies						18 780
						26 543
						2011 £
						0
						3 800
						0
						3,800

# The Midland Academies Trust

## Notes to the Financial Statements for the year ended 31 August 2012 (continued)

19 Debtors	2012	2011
	£	£
Trade debtors	59 098	20 536
VAT debtor	422,093	207,637
Prepayments	35 352	0
Sundry debtors	436 562	8 312
	<u>953 105</u>	<u>236 485</u>

*The sundry debtors held at 31 August 2012 is broken down as follows*

	2012	2011
	£	£
EFA/DfE - Capital build grant	30 000	0
EFA/DfE - Golden Hello grant	25,903	0
EFA/DfE - ICT Equipment grant	192 000	0
EFA/DfE - Insurance grant	64 919	0
EFA/DfE - Lead-in and implementation grant	86 096	0
Other	37 644	8 312
	<u>436,562</u>	<u>8 312</u>

20 Creditors amounts falling due with one year	2012	2011
	£	£
Trade creditors	828 595	0
Taxation social security and pension contributions	296 350	0
Accruals	904 582	278 525
Deferred income	147 880	200 575
	<u>2 177 407</u>	<u>479 100</u>

<i>Deferred income</i>	2012	2011
	£	£
Deferred income at 1 September	200 575	0
Resources deferred in the year	91 050	200 575
Amounts released from previous years	(143,745)	0
Deferred income at 31 August	<u>147 880</u>	<u>200 575</u>

*The deferred income held at 31 August 2012 is broken down as follows*

	2012	2011
	£	£
Capital contribution	56 830	56 830
Pupil Premium	91 050	27 717
VAT Grant	0	116 028
	<u>147 880</u>	<u>200 575</u>

# The Midland Academies Trust

## Notes to the Financial Statements for the year ended 31 August 2012 (continued)

21 Funds	Balance at 1 September 2011	Incoming resources	Resources expended	Prior year adjustments	Gains / losses and transfers	Balance at 31 August 2012
	£	£	£	£	£	£
<b>Restricted Fixed Assets Funds</b>						
Devolved formula capital allocations	96 626	66 232	0	0	0	162 858
Academy main building grants	0	1,199 000	0	0	0	1 199 000
ICT Equipment grant	0	192 000	0	0	0	192 000
Voluntary restricted fixed assets	0	0	0	0	76 541	76 541
Capital expenditure from GAG	318 957	0	(49 214)	169 737	145,164	584 644
Capital expenditure from SUG	0	0	0	0	182 834	182 834
Opening fixed asset balance	692,461	10 118 986	(365,356)	(169,737)	0	10 276 354
	<u>1,108,044</u>	<u>11 576 218</u>	<u>(414 570)</u>	<u>0</u>	<u>404 539</u>	<u>12,674 231</u>
<b>Restricted general funds</b>						
General Annual Grant (GAG)	393 156	10 218 129	(9,674,235)	(292 600)	(145 164)	499 286
Voluntary restricted general	144,243	2 056	0	292 600	0	438 899
Activities for generating funds	0	5 676	0	0	0	5 676
Start Up Grant (SUG)	468,659	738 993	(968 447)	0	(182 834)	56,371
Other DfE / EFA Grants	39 307	304 014	(295 488)	0	0	47 833
Lead-in and implementation grants	0	229 345	(202 862)	0	0	26 483
Other government grants	0	229 215	(189,577)	0	0	39,638
Other restricted grants	0	95 440	(56,322)	0	0	39 118
	<u>1 045 365</u>	<u>11 822 868</u>	<u>(11 386 931)</u>	<u>0</u>	<u>(327 998)</u>	<u>1 153 304</u>
<b>Pension Reserve</b>						
Pension Reserve	(665 000)	0	(75 000)	0	(1 124 000)	(1,864 000)
	<u>(665 000)</u>	<u>0</u>	<u>(75 000)</u>	<u>0</u>	<u>(1 124 000)</u>	<u>(1,864 000)</u>
<b>Total Restricted Funds</b>	<u>1 488 409</u>	<u>23 399 086</u>	<u>(11 876,501)</u>	<u>0</u>	<u>(1,047 459)</u>	<u>11 963 535</u>
<b>Unrestricted Funds</b>						
Unrestricted Funds	303 063	578 345	(68 837)	0	(76 541)	736,030
	<u>303 063</u>	<u>578 345</u>	<u>(68 837)</u>	<u>0</u>	<u>(76 541)</u>	<u>736 030</u>
<b>Total Funds</b>	<u>1 791 472</u>	<u>23 977 431</u>	<u>(11,945,338)</u>	<u>0</u>	<u>(1 124,000)</u>	<u>12 699 565</u>

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

Restricted Fixed Asset Funds are applied to capital (fixed assets) expenditure

Restricted General Funds are applied to the charitable activities of the Trust as per funding agreements with the DfE

## 22 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted general fund	Restricted general fund	Restricted fixed asset fund	Total 2012
	£	£	£	£
Tangible fixed assets	0	0	12 527 558	12 527 558
Current assets	736 030	3 314 080	163 304	4 213 414
Current liabilities	0	(2 160 776)	(16 631)	(2 177 407)
Pension scheme liability	0	(1 864 000)	0	(1 864 000)
Total net assets	<u>736 030</u>	<u>(710 696)</u>	<u>12 674 231</u>	<u>12 699 565</u>

# The Midland Academies Trust

## Notes to the Financial Statements for the year ended 31 August 2012 (continued)

<b>23 Capital commitments</b>	<b>2012</b>	<b>2011</b>
	£	£
Contracted for but not provided in the financial statements	56 830	56 830
<b>24 Financial commitments</b>		
<b>Operating leases</b>		
At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows		
	<b>2012</b>	<b>2011</b>
	£	£
<u>Operating leases which expire</u>		
Within one year	965	22 040
Within two and five years inclusive	26 706	389
	<b>2012</b>	<b>2011</b>
	£	£
<b>25 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities</b>		
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	12 032 093	1 224 317
Voluntary income - transfer of cash from Local Authority on conversion	(436 106)	0
Voluntary income - transfer of tangible fixed assets from Local Authority on conversion	(10 118 986)	0
Capital grants from DfE and other capital income	(1,457 231)	0
Depreciation (note 16) and amortisation (note 17)	414 570	169 737
Capital expenditure from GAG	0	488 694
Opening fixed asset balance	0	692 461
Interest receivable (note 5)	0	0
FRS 17 pension cost less contributions payable (note 32)	7 000	22 000
FRS 17 pension finance income (note 32)	68 000	29,000
(Increase)/decrease in stocks	(22 743)	(3 800)
(Increase)/decrease in debtors	(716 620)	(236 485)
(Increase)/decrease in creditors	1 698 307	479 100
<b>Net cash inflow from operating activities</b>	<b>1 468 284</b>	<b>2 865 024</b>
<b>26 Cash transferred on conversion to an academy trust</b>		
Inherited cash at bank and in hand	436 106	0
<b>Net cash inflow from cash transferred on conversion to an academy trust</b>	<b>436 106</b>	<b>0</b>
<b>27 Returns on investments and servicing of finance</b>		
Interest received	0	0
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>0</b>	<b>0</b>
<b>28 Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,785,045)	(1 154 530)
Purchase of intangible fixed assets	(26 679)	(26 625)
Capital grants from DfE	1 457 231	0
Capital funding received from sponsors and others	0	0
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(354,493)</b>	<b>(1 181 155)</b>
<b>29 Analysis of changes in net funds</b>		
	At	At
	1 September 2011	Cash flows
	£	£
Cash at bank and in hand	1 683 869	3 233 766
	1 683 869	3 233 766

## **The Midland Academies Trust**

### **Notes to the Financial Statements for the year ended 31 August 2012 (continued)**

#### **30 Contingent Liabilities**

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees. The extent of the liability will depend on the service completed by those part time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made but the accounts include a disclosure as a prudent approach to the potential liability.

#### **31 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 debits and liabilities contracted before he/she ceases to be a member.



## The Midland Academies Trust

### Notes to the Financial Statements for the year ended 31 August 2012 (continued)

#### 32 Pension commitments

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 Warwickshire County Council. Both are defined-benefit schemes.

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

Contributions amounting to £120,582 (2011: £0) were payable to the schemes at 31 August and are included within creditors.

#### Teachers' Pension Scheme

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

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

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

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

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

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2001. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real date 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 contributions 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 of 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.

## The Midland Academies Trust

### Notes to the Financial Statements for the year ended 31 August 2012 (continued)

#### 32 Pension commitments (continued)

##### Teachers' Pension Scheme (continued)

Under the definitions 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 FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

##### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2012 was £355,859 of which employer's contributions totalled £264,315 and employees' contributions totalled £91,544. The agreed contribution rates for the future years are 19.6 per cent for employers and 5.5 per cent - 7.5 per cent for employees dependant on salary.

##### Principal Actuarial Assumptions

	At 31 August 2012	At 31 August 2011
Rate of increase in salaries	4.50%	4.70%
Rate of increase for pensions in payment / inflation	2.20%	2.70%
Discount rate for scheme liabilities	4.10%	5.30%
Inflation assumption (CPI)	4.90%	2.70%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectation is based on the SAPS year of birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with a 1% p.a. long term trend. Based on these assumptions the average future life expectancies at age 65 are summarised below.

	At 31 August 2012	At 31 August 2011
<i>Retiring today</i>		
Males	21.9 years	22.9 years
Females	23.6 years	26.0 years
<i>Retiring in 20 years</i>		
Males	22.8 years	22.0 years
Females	25.9 years	23.7 years

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	Expected return at 31 August 2011	Fair value at 31 August 2011 £
Equities	5.60%	732,000	7.00%	402,000
Bonds	3.30%	199,000	4.25%	108,000
Property	3.70%	105,000	6.00%	59,000
Cash	2.80%	10,000	0.50%	4,000
Other			7.00%	30,000
<b>Total market value of assets</b>		<b>1,046,000</b>		<b>603,000</b>
<b>Present value of scheme liabilities</b>				
- Funded		(2,910,000)		(1,268,000)
<b>Surplus / (deficit) in the scheme</b>		<b>(1,864,000)</b>		<b>(665,000)</b>

## The Midland Academies Trust

### Notes to the Financial Statements for the year ended 31 August 2012 (continued)

#### 32 Pension commitments (continued)

##### Local Government Pension Scheme (continued)

##### Expected rate of returns

The expected returns shown have been calculated using 5,000 simulations of HRAM calibrated using market data as at a recent date. Whilst commented that the returns are "expected" this identifies the level at which 50% of all possible outcomes will be above and 50% will be below - this does not mean that the return quoted is in any way the "most likely" outcome. The only exception to the use of HRAM is in deriving the expected return on bond assets - instead of the HRAM output the yields applicable at the accounting date on suitable bond indices have been used.

The LGPS obligation relates to the employees of the academy trust who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to and did join the Scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

The actual return on the scheme assets was £49 000 (2011 £29 000)

##### Total expenditure recognised in the Statement of Financial Activities

	2012 £	2011 £
Current service cost (net of employee contributions)	270 000	87 000
Past service cost	0	0
Total operating charge	270 000	87 000

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

Expected return on pension scheme assets	(49 000)	(29 000)
Interest on pension liabilities	117 000	58 000
Pension finance income / (costs)	68 000	29 000

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 £326 000 loss (2011 £62 000 gain). This excludes the initial recognition of the £736 000 deficit (The George Eliot School) transferred to the Trust in year.

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

	2012 £	2011 £
<b>At 1st September</b>	1 268 000	0
Current service cost	270 000	128 000
Interest cost	117 000	58 000
Employee contributions	82 000	41 000
Actuarial (gain) / loss	413 000	(59 000)
Benefits paid	0	16 000
Past service cost	0	0
Curtailments and settlements	0	0
Liabilities assumed in a business combination	760 000	1 084 000
<b>At 31st August</b>	2,910 000	1 268 000

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

	2012 £	2011 £
<b>At 1st September</b>	603 000	0
Expected return on assets	49 000	29 000
Actuarial (gain) / loss	25 000	3 000
Employer contributions	263 000	106 000
Employee contributions	82 000	41 000
Benefits paid	0	16 000
Assets acquired in a business combination	24 000	408 000
<b>At 31st August</b>	1 046 000	603 000

## The Midland Academies Trust

### Notes to the Financial Statements for the year ended 31 August 2012 (continued)

#### 32 Pension commitments (continued)

##### Local Government Pension Scheme (continued)

The estimated value of employer contributions for the year ended 31st August 2013 is £289 000

The five-year history of experience adjustments is as follows

	2012	2011
	£	£
Defined benefit obligation at end of year	(2 910 000)	(1 268 000)
Fair value of plan assets at end of year	1 046 000	603 000
Surplus / (deficit)	<u>(1 864,000)</u>	<u>(665 000)</u>
Experience adjustments on share of scheme assets		
Amount £	25 000	3 000
Experience adjustments on scheme liabilities		
Amount £	0	0

#### 33 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. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

##### *North Warwickshire and Hinckley College - sponsor to the Midland Academies Trust*

The Trust has a formal relationship with the North Warwickshire and Hinckley college as its sponsor.

The college, as sponsor, supplied support to the Trust on a consultancy basis. Charges for this were as follows:

- finance support	£37 964
- estate support	£9 260
- clerking and legal support	£19 372
- ICT support	£13 755

During the year North Warwickshire and Hinckley College has been settling purchase invoices and purchased goods and services on behalf of the Trust with a total value of £690 115.

These costs have then periodically been paid back to the North Warwickshire and Hinckley College. The balance outstanding at 31 August 2012 was £382 202.