

**JOHN FERNELEY COLLEGE ACADEMY TRUST
(A Company Limited by Guarantee)**

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2013

Registered Number 07796947 (England and Wales)

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JOHN FERNELEY COLLEGE ACADEMY TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

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JOHN FERNELEY COLLEGE ACADEMY TRUST
REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2013

Trustees	C Godber (Chair) * C J Robinson (Principal and Accounting Officer) * S Mabbott (resigned 18 November 2013) M O'Callaghan (resigned 27 June 2013) P Posnett E Welsh M Twitney P John R Roberts (Vice chair) * A Brewster A Cornforth* T Eardley* L Garrigan D Harris (Staff governor) (resigned 27 June 2013) * S Lebbon L Umbleja (Staff governor) F Macdonald (Staff governor) S Fisher (Staff governor) (appointed 5 November 2013) * Members of the Finance and General Purpose Committee
Company Secretary	D H Reed
Senior Management Team: <ul style="list-style-type: none">• Senior Vice Principal• Vice Principal (Achievement)• Vice Principal (Core)• Assistant Principal (Behaviour)• Assistant Principal (Teaching)• Finance Director	M Parrott (resigned 31 August 2013) C Stansfield (appointed Head of College 1 September 2013) A Dalby P Kruse L Umbleja S Mitchell
Principal and Registered Office	C J Robinson Scaford Road Melton Mowbray Leicestershire LE13 1LH
Company Registration Number	07796947 (England and Wales)
Auditors	Baker Tilly Audit Limited Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD
Bankers	HSBC 17 High Street Melton Mowbray Leicestershire LE13 0TY
Solicitors	Browne Jacobson 44 Castlegate Nottingham NG1 7BJ

JOHN FERNELEY COLLEGE ACADEMY TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

The trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2013

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee (registration number 07796947) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees of John Ferneley College Academy Trust are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as John Ferneley College.

Details of the directors and trustees who served throughout the year are included in the Reference and Administrative Details on page 1.

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.

Trustees' Indemnities

The Academy has taken out third party indemnity insurance to protect the trustees and officers against claims arising from negligent acts, errors or omissions occurring whilst on academy business. See note 10 for further details.

Principal Activities

The College has been established to provide high quality education to students in the area of Melton Mowbray and to enable those students to achieve success in their education whilst also developing their personal skills and enabling them to access whatever their chosen future path may be.

The specific objects of the College are laid out below.

Method of Recruitment and Appointment or Election of Trustees

- One third of Trustees may be appointed directly by the Members of the charitable company.
- The Local Authority may appoint one trustee to act as their representative.
- Parent Trustees are elected by parents of registered students at the Academy, and must be a parent of a student at the Academy at the time of election. At times of vacancies of parent trustees all parents will be informed of the vacancy that it is required to be filled by election, and how to nominate, stand, and vote and given an opportunity to partake in the election procedure. If insufficient numbers of parents stand for election the Governing Body may appoint sufficient parent trustees to fill the vacancies.
- Community Trustees may be appointed by the Governing Body.

A term of office for the position of a trustee is 4 years, with the exception of the Principal. Any trustee may be re-appointed or re-elected.

JOHN FERNELEY COLLEGE ACADEMY TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Structure, Governance and Management (continued)

Policies and Procedures Adopted for the Induction and Training of Trustees

All Trustees are expected to undertake a full induction with the College upon their appointment, and are given a Trustees' Handbook. This induction programme and Handbook provides information on the College, its activities, staff, achievements, and the responsibilities expected of the Trustees.

The College also provides access to Governor training resources procured through the Local Authority and other providers as appropriate.

Organisational Structure

The Governing Body are charged with overall responsibility for the actions of the College. There are 5 Members of the College, all of whom are Trustees. The Governing body has formed sub-committees of Finance, Members, Discipline, Achievement and Care. These sub-committees meet regularly and report back to the full Governing Body.

The strong Senior Management Team is headed by the Principal. This team has delegated responsibilities that cover every area of College life. Its members are detailed on Page 1. Compliance with the Accounts Direction and the Academies Financial Handbook is delivered through the Principal, who fulfils the role of Accounting Officer.

Risk Management

The Governing Body regularly review the risks to which the academy is exposed, and systems or procedures have been established to manage those risks. These systems and procedures, and the risk element being addressed are held under constant review by the Senior Management Team who report to the Trustees on progress against those risk elements or any deviations away from the expected actions.

Connected Organisations

The Academy was not part of any chain or federation during the year. It was a joint partner in a traded services company, ES2 Limited, with Long Field Academy in Melton Mowbray. This company did not trade during the year, has no share capital, and is therefore not consolidated within these accounts. The Academy has disposed of its interest since the year end.

Objectives and Activities

Objects and Aims

The charitable company has been established for the express objectives of

- To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum
- To promote the benefit of the inhabitants of Melton Mowbray and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship, or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants

JOHN FERNELEY COLLEGE ACADEMY TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Objectives and Activities (continued)

Objectives, Strategies and Activities

Since opening in November 2011 (and prior as a Local Authority maintained school), John Ferneley College's absolute focus has been on establishing an educational environment where our students can flourish and achieve a level of success, both with academic qualifications and in personal development, that sets them well on their way in their future careers. Three years ago the College welcomed its first GCSE cohort, offering education to 14-16 year olds for the first time. Now, firmly established as a hugely successful College, leading the way in the league tables for achievement, the College is clearly demonstrating its success in delivering against its objectives.

Public Benefit

The Trustees of the Academy Trust have exercised due regard to the guidance on public benefit published by the Charity Commission in exercising their power and duties.

Our provision of education is inclusive and wide ranging, with students able to experience diverse areas of the curriculum as well as being able to access a wide range of choices for their education between the years of 11-16.

Achievements and Performance

The period covered by this set of accounts represents the third academic year since the College (and its predecessors), started teaching Key Stage 4. The results achieved by our students are simply phenomenal, and a tremendous credit to them for the immense work and effort they put in.

The Senior Team and Governors have been dedicated to delivering the premier Key Stage 4 delivery in the local area. The table below shows the headline performance statistics since starting delivery of Key Stage 4. The 2013 figure shown below includes invalidated data as the Government does not publish this information until January 2014. The Governors are proud that our results have stabilised at exceptional levels and the value we add to students is significantly higher than national expectations.

	2011	2012	2013
5 A*-C GCSE inc English and Maths	57%	71%	71%
Value Added score (Best 8)	1001.5	1029.6	1022.1

The College however sets its aims much further than solely on academic grades. The Senior Team measure performance against the following criteria, and these form the basis of the College operational strategy: Achievement, Teaching, Behaviour, Leadership & Management, Additional Judgements, Finance and Resources, Health and Safety, and aims to achieve an Ofsted "Outstanding" grade at its next inspection.

Going Concern

After making appropriate enquiries, the governing body has a reasonable expectation that the academy 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 can be found in the Statement of Accounting Policies.

JOHN FERNELEY COLLEGE ACADEMY TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Financial Review

This set of accounts lays out the financial performance for the College for the year to 31 August 2013

The comparative period's data shown on the Income and Expense account was the first accounting period for the academy and therefore had significant transactions associated with the transfer of assets from the Local Authority to the Academy. This set of results is a more normalised trading position.

Funding is primarily received through the Funding Agreement that the College has with the Secretary of State. This funding is based upon the number of students on the College roll, and is restricted for expenditure solely on the purposes of meeting the terms of the Funding Agreement. Funding is lagged for 12 months.

Expenditure during the period has been overseen by the Governing Body, and through its delegated powers to the Finance Committee. It is the view of this Committee, and the Governing Body, that expenditure has been prudent, and managed in accordance with the College's financial procedures and policies. The majority of expenditure has been in relation to teaching staff and support costs, as is to be expected with a College of this nature.

At 31 August 2013 the College had £737,034 in cash, with a reported surplus before depreciation of £56,907.

Financial and Risk Management Objectives and Policies

Principal Risks and Uncertainties

The College's Governing Body regularly reviews the Risk Register, and ensures that appropriate actions are being taken. Risks considered include Strategic (loss of funding, poor Ofsted reviews, lack of demand, staff acting outside of Objects, etc),

Confirmation is received under the Funding Agreement for a 7 year rolling cycle giving the Governors some reassurance over this major risk.

Reserves Policy

The Governing Body have determined that the charitable company requires reserves for the following purposes:

- To cover statutory obligations and to wind up its own affairs in an orderly way, if so decided
- To provide working capital for projects with late payment dates and to fund initiatives of importance to furthering the objects of the Company
- To meet the costs of planned major capital expenditure

All these calls on reserves are inter-related, so that reserves ultimately held to cover statutory obligations may be used as working capital in the short term, where it is known that funding will eventually be received. The long term objective is that separate sums should be designated to meet statutory objectives and for working capital needs.

JOHN FERNELEY COLLEGE ACADEMY TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Financial and Risk Management Objectives and Policies (continued)

Required Level of Reserves

The Academy's reserves are currently of a good nature. The minimum target for reserves was set at £500k by the Governors and will be reviewed on a regular basis. Reserves at the end of August 2013 were £18,695,675 however free reserves (i.e. cash, and cash equivalents) were £448,878. Whilst the target is currently being met in terms of free reserves the Board are reviewing its future investment strategy, and therefore feel that it is prudent to keep reserves high so that any investment to be made does not utilise all available reserves. At all times the Governors pay due regard to the benefit of utilising reserves whilst minimising the risk to the College of cash flow implications. These reserves held by the Academy largely constitute the reserves transferred to it by the Local Authority upon conversion and are therefore not representative of surpluses made in its normal day to day operations.

Statement to Members

The Governing Body are of the opinion that we do not foresee any plans for utilisation of current reserves that would cause a conflict of interest with any Member of the College. The Trustees are currently considering a plan for significant expenditure on the rejuvenation of the College playing fields, which will involve utilising some of the reserves of the College, however do not consider there to be a material impact upon the risk the College faces as a result of lowering reserve levels in the short term.

The Academy identifies free reserves as being the income funds that are freely available for its general purposes (i.e. it does not include restricted funds or any part of unrestricted funds not readily available for spending, specifically income funds which could only be realised by disposing of fixed assets held for charitable activities).

Investment Policy

The Trustees have approved an Investment Policy that ensures that reserves are being invested in an appropriate manner with due regard to return and risk. It is the policy of the College that reserves be invested in approved investment vehicles but should not be fixed for longer than six months. The Trustees receive regular reports as to the performance of investments made by the College.

Plans for Future Years

The Trustees are focussed on ensuring that the College continues its excellent path of growth with regard to results at Key Stage 4. It has reviewed management forecasts and plans which indicate continued success.

There is significant action locally with regard to potential spatial planning issues within Melton Mowbray and the College stands ready to play its part in developing education provision in the most advantageous manner for students.

The Governing Body of the College approved unanimously on the 15th October 2013 to convert the College to a Multi-Academy Trust. This change in status allows the College to formalise links with other schools to provide support to them, through sponsorship of failing schools. It also provides a framework by which the College can partner with other good schools for mutual benefit. At the time of signing these accounts the application for conversion to MAT status was with the Department for Education, and the Directors expect to be able to move forward with these plans in early 2014.

Funds held as Custodian Trustee on behalf of others

There are no funds held as Custodian Trustee on behalf of others.

JOHN FERNELEY COLLEGE ACADEMY TRUST
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Auditor

In so far as the trustees are aware

- There is no relevant audit information of which the charitable company's auditor is unaware, and
- The trustees 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 auditors are willing to continue in office and will be reappointed for the forthcoming year

Approved by order of the board of trustees on 11 December 2013 and signed on their behalf by

A handwritten signature in black ink, appearing to be 'R Roberts', written over a horizontal line.

R Roberts
Vice Chair

JOHN FERNELEY COLLEGE ACADEMY TRUST
GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2013

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that John Ferneley College Academy 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 trustees has delegated the day-to-day responsibility to the Principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between John Ferneley College Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' responsibilities. The board of trustees has formally met twice during the year. Attendance during the year at meetings of the board of trustees, and constituent sub-committees, were as follows:

Trustees	Eligible Meetings	Meetings Attended
Adam Brewster	10	10
Trevor Eardley	17	17
Fiona MacDonald	10	9
Rachel Roberts	17	17
Chris Robinson (Principal, and accounting officer)	17	16
Mike Twitney	10	10
Elaine Welsh	10	7
Conroy Godber (Chair)	17	13
Sarah Lebbon	10	6
Steve Mabbott	10	5
Lara Umbleja	10	8
Lydia Garrigan	10	8
Debbie Harris	9	2
Amanda Cornforth	12	10
Phil John	10	3
Matthew O'Callaghan	8	3
Pam Posnett	10	3

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2013

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in John Ferneley College Academy Trust for the year ended 31 August 2013 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The governing body has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The governing body is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ending 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body.

The Risk and Control Framework

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

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

The governing body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Leicestershire County Council as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On an annual basis the RO reports to the governing body on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

Review of Effectiveness

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

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

JOHN FERNELEY COLLEGE ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2013

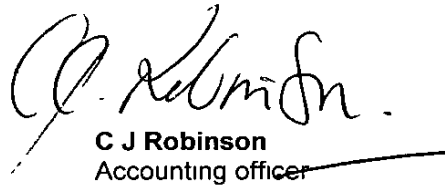
Review of Effectiveness (continued)

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes 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 governing body on 11 December 2013 and signed on its behalf by



R Roberts
Vice Chair



C J Robinson
Accounting officer

JOHN FERNELEY COLLEGE ACADEMY TRUST
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2013

Statement on Regularity, Propriety and Compliance

As accounting officer of John Ferneley Academy Trust, I have considered my responsibility to notify the academy trust board of trustees 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 board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook.

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



C J Robinson
Accounting officer

11 December 2013

JOHN FERNELEY COLLEGE ACADEMY TRUST
STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2013

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

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

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

The Trustees 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 Trustees are responsible for ensuring that in its conduct and operation, the Charitable Company applies financial and other controls which conform with the requirements of both propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended

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

Approved by order of the members of the board of trustees on 11 December 2013 and signed on its behalf by



R Roberts
Vice Chair

JOHN FERNELEY COLLEGE ACADEMY TRUST
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN FERNELEY ACADEMY TRUST LIMITED

We have audited the financial statements of John Ferneley College Academy Trust Limited for the year ended 31 August 2013 which comprises the Statement of Financial Activities (including income and expenditure account and statement of recognised gains and losses), balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

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

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 12, the Trustees (who are also 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 Financial Reporting Council's website at <http://www.frc.org.uk/apb/scope/private.cfm>

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view, of the state of the charitable company's affairs as at 31 August 2013, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006, and
- have been prepared in accordance with the Academies Accounts Direction 2013 issued by the Education Funding Agency.

JOHN FERNELEY COLLEGE ACADEMY TRUST
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Kelly Boorman
Senior Statutory Auditor
for and on behalf of

Date 16 December 2013

Baker Tilly Audit Limited
Statutory Auditor

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SD

Prior to 30 September 2013 Baker Tilly Audit Limited was named RSM Tenon Audit Limited

JOHN FERNELEY COLLEGE ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account and Statement of Recognised Gains and Losses) FOR THE YEAR ENDED 31 AUGUST 2013

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Year ended 31 August 2013 Total £	Period ended 31 August 2012 Total £
Incoming resources						
<i>Income resources from generated funds</i>						
- Transfer from Local Authority on conversion		-	-	-	-	19,910,842
- Activities for generating funds	2	120,873	-	-	120,873	165,246
- Investment income	3	2,737	-	-	2,737	608
<i>Incoming resources from charitable activities</i>						
- Funding for the Academy's educational operations	4	-	4,644,297	20,554	4,664,851	3,760,610
Total incoming resources		123,610	4,644,297	20,554	4,788,461	23,837,306
Resources expended						
<i>Cost of generating funds</i>						
- Fundraising trading	5	94,713	-	-	94,713	93,647
<i>Charitable activities</i>						
- Academy's educational operations	6	-	4,628,141	559,184	5,187,325	4,409,132
<i>Governance costs</i>	7	8,700	-	-	8,700	8,575
Total resources expended	5	103,413	4,628,141	559,184	5,290,738	4,511,354
Net (outgoing)/incoming resources before transfers		20,197	16,156	(538,630)	(502,277)	19,325,952
Gross transfer between funds		(21,392)	(52,156)	73,548	-	-
Net (expenditure)/income before other recognised gains and losses		(1,195)	(36,000)	(465,082)	(502,277)	19,725,952
<i>Other recognised gains and losses</i>						
Actuarial gain/(losses) on defined benefit pension scheme	22	-	20,000	-	20,000	(148,000)
Net movement in funds		(1,195)	(16,000)	(465,082)	(482,277)	19,177,952
Reconciliation of funds						
Total funds brought forward		450,073	(1,034,000)	19,761,879	19,177,952	-
Total fund carried forward		448,878	(1,050,000)	19,296,797	18,695,675	19,177,952

All of the academy's activities derive from continuing operations

The notes on pages 18 – 33 from part of these financial statements

JOHN FERNELEY COLLEGE ACADEMY TRUST

BALANCE SHEET AT 31 AUGUST 2013

COMPANY NUMBER: 07796947

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	11	19,296,797	19,747,849
Current assets			
Debtors	12	64,903	76,878
Cash at bank and in hand		737,034	618,344
		<u>801,937</u>	<u>695,222</u>
Liabilities			
Creditors amounts falling due within one year	13	(353,059)	(231,119)
Net current assets		<u>448,878</u>	<u>464,103</u>
		19,745,675	20,211,952
Total assets less current liabilities excluding pension liability			
Pension scheme liability	22	(1,050,000)	(1,034,000)
Net assets including pension liability		<u>18,695,675</u>	<u>19,117,952</u>
Funds of the academy trust:			
Restricted income funds			
- fixed asset fund		19,296,797	19,761,879
- general funds		-	-
- pension reserve		(1,050,000)	(1,034,000)
Total restricted funds		<u>18,246,797</u>	<u>18,727,879</u>
Unrestricted income funds			
- general fund		448,878	450,073
Total unrestricted funds		<u>448,878</u>	<u>450,073</u>
Total funds	14	<u>18,695,675</u>	<u>19,177,952</u>

The financial statements on pages 15 to 33 were approved by the trustees and authorised for issue on 11 December 2013 and are signed on their behalf by



R Roberts
Vice Chair

The notes on pages 18 - 33 form part of these financial statements

JOHN FERNELEY COLLEGE ACADEMY TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2013

	Note	Year end 31 August 2013 £	Period end 31 August 2012 £
Net cash inflow from operating activities	17	203,531	146,469
Return on investments and services of finance	18	2,737	608
Capital expenditure	19	(87,578)	14,030
Increase in cash in the year	20	118,690	161,107
Reconciliation of net cash flow on movement in net funds			
Net funds at 1 September 2012		618,344	457,237
Net funds at 31 August 2013	20	737,034	618,344

The notes on pages 18 - 33 form part of these financial statements

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

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 Education Funding Agency and the Companies Act 2006. The Statement of Financial Activities as set out on page 14 identifies the identical information as that of the Income and Expenditure Statement. As such, no separate Income and Expenditure Statement has been prepared.

A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going concern

The trustees 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 trust to continue as a going concern. The trustees make this assessment each year in respect of a year of one year from the date of approval of the financial statements.

Incoming resources

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

- **Grants receivable**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the year 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.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

- **Donations**

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

- **Other income**

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

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

1. Statement of Accounting Policies (continued)

Resources expended

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

- **Costs of generating funds**

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

- **Charitable activities**

These are costs incurred on the trust's educational operations.

- **Governance costs**

These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and governor's meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet.

Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than leasehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Long leasehold buildings	Over 50 years on straight line basis
Fixtures and equipment	Over 20 or 5 years on a straight line basis
Computer equipment	Over 3 years on a straight line basis
Motor vehicles	Over 10 years on a straight line basis

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

Leased Assets

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

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

1. Statement of Accounting Policies (continued)

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 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 22, the TPS is a multi-employer scheme and the 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 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 year 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 trust at the discretion of the trustees.

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

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

Comparative figures

The academy was incorporated on 4 October 2012, the comparative figures represent only a 10 month period 1 November 2012 to 31 August 2013.

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

2 Activities for Generating Funds

	Unrestricted Funds	Restricted Funds	Year ended 31 August 2013 Total	Period Ended 31 August 2012 Total
	£	£	£	£
Academy trips	96,165	-	96,165	76,509
Hire of facilities	14,783	-	14,783	21,264
Sundry income	9,925	-	9,925	67,473
	120,873	-	120,873	165,246

3. Investment Income

	Unrestricted Funds	Restricted Funds	Year ended 31 August 2013 Total	Period Ended 31 August 2012 Total
	£	£	£	£
Short term deposits	2,737	-	2,737	608

4. Funding for academy's educational operations

	Unrestricted Funds	Restricted Funds	Year ended 31 August 2013 Total	Period Ended 31 August 2012 Total
	£	£	£	£
DfE / EFA capital grants				
- Devolved formula capital allocations	-	20,554	20,554	20,268
DfE / EFA revenue grants				
- General Annual Grant (GAG)	-	4,604,130	4,604,130	3,719,138
Other Government grants				
- Local authority grants	-	8,928	8,928	7,600
- SEN funding from local authority	-	31,239	31,239	13,604
	-	40,167	40,167	21,204
Total	-	4,664,851	4,664,851	3,760,610

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

5 Resources expended

	Staff Costs £	Premises costs £	Other costs £	Year ended 31 August 2013 Total £	Period Ended 31 August 2012 Total £
Costs of activities for generating funds	-	-	94,713	94,713	93,647
Academy's education operations					
- Direct costs	3,018,162	-	342,273	3,360,435	2,494,797
- Allocated support costs	509,469	907,718	409,703	1,826,890	1,914,335
	<u>3,527,631</u>	<u>907,718</u>	<u>846,689</u>	<u>5,282,038</u>	<u>4,502,779</u>
Governance costs including allocated support costs	-	-	8,700	8,700	8,575
	<u>3,527,631</u>	<u>907,718</u>	<u>855,389</u>	<u>5,290,738</u>	<u>4,511,354</u>

Incoming/outgoing resources for the year include

	Year ended 31 August 2013 £	Period Ended 31 August 2012 £
Operating leases	15,304	7,539
Fees payable to auditor - audit	7,200	7,700
- other services	1,500	875
Depreciation on tangible fixed assets	<u>559,184</u>	<u>584,994</u>

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

6 Charitable Activities – Academy’s educational operations

	Unrestricted Funds £	Restricted Funds £	Year ended 31 August 2013 Total £	Period Ended 31 August 2012 Total £
Direct costs:				
Teaching and educational support staff costs	-	3,018,162	3,018,162	2,335,599
Educational supplies	-	169,017	169,017	60,605
Examination and assessment costs	-	94,873	94,873	47,416
Staff development	-	7,726	7,726	20,570
Other direct costs	-	70,657	70,657	30,607
		<u>3,360,435</u>	<u>3,360,435</u>	<u>2,494,797</u>
Allocated support costs:				
Support staff costs	-	509,469	509,469	559,569
Depreciation	-	559,184	559,184	584,994
Recruitment and support	-	32,107	32,107	14,962
Maintenance of premises and equipment	-	156,679	156,679	95,402
Cleaning	-	87,936	87,936	102,019
Rent and rates	-	(9,777)	(9,777)	18,026
Insurance	-	46,124	46,124	45,691
Security and transport	-	9,520	9,520	3,464
Bank interest and charges	-	3,725	3,725	-
Pension finance costs	-	36,000	36,000	30,000
Other support costs	-	395,923	395,923	460,208
	-	<u>1,826,890</u>	<u>1,826,890</u>	<u>1,914,335</u>
Total	-	<u>5,187,325</u>	<u>5,187,325</u>	<u>4,409,132</u>

7. Governance Costs

	Unrestricted Funds £	Restricted Funds £	Year ended 31 August 2013 Total £	Period Ended 31 August 2012 Total £
Auditor’s remuneration				
Audit of financial statements	7,200	-	7,200	7,700
Other services	1,500	-	1,500	875
	<u>8,700</u>	<u>-</u>	<u>8,700</u>	<u>8,575</u>

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

8. Staff costs

Staff costs during the year were

	Year ended 31 August 2013 £	Period Ended 31 August 2012 £
Wages and salaries	2,827,401	2,363,696
Social security costs	208,447	173,279
Pension costs	420,391	341,447
	3,456,239	2,878,422
Supply teacher costs	71,392	16,746
	3,527,631	2,895,168

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

	Year ended 31 August 2013 No.	Period Ended 31 August 2012 No.
Charitable activities		
Teachers	77	74
Administration and support	34	35
Management	5	5
	116	114

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

	Year ended 31 August 2013 No	Period Ended 31 August 2012 No.
£ 60,001 - £ 70,000	2	1
£100,001 - £110,000	1	1

The above employees participated in the Teachers' Pension Scheme During the year ended 31 August 2013, pension contributions for these staff amounted to £32,675 (2012 £20,000)

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

9. Related Party Transaction - Trustees' remuneration and expenses

Principal and staff trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy in respect of their role as trustees. The value of trustees' remuneration was as follows:

	Year ended 31 August 2013 £	Period ended 31 August 2012 £
C J Robinson, principal and accounting officer	106,148	105,097
D Harris, staff governor	£35,001 - £40,000 (2012 £35,001 - £40,000)	
L Umbleja, staff governor	£40,001 - £45,000 (2012 £40,001 - £45,000)	
F Macdonald, staff governor	£10,001 - £15,000 (2012 £0,001 - £5,000)	

During the year ended 31 August 2013, no expenses were reimbursed to trustees.

Other related party transactions involving the trustees are set out in note 23.

10. Trustees' and Officers' Insurance

In accordance with normal commercial practice, the Academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £3,000,000 on any one claim and the cost for the year ended 31 August 2013 was £1,380 (2012 £1,469).

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

11. Tangible Fixed Assets

	Long leasehold land and buildings £	Fixtures and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 September 2012	19,685,000	46,082	578,484	23,277	20,332,843
Additions	40,330	62,717	1,686	3,399	108,132
At 31 August 2013	19,725,330	108,799	580,170	26,676	20,440,975
Depreciation					
At 1 September 2012	294,100	10,247	276,949	3,698	584,994
Charged in year	352,920	10,328	193,297	2,639	559,184
At 31 August 2013	647,020	20,575	470,246	6,337	1,144,178
Net book values					
At 31 August 2013	19,078,310	88,224	109,924	20,339	19,296,797
At 31 August 2012	19,390,900	35,835	301,535	19,579	19,747,849

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

12. Debtors

	2013	2012
	£	£
Trade debtors	1,089	2,508
VAT recoverable	19,019	33,021
Prepayments and accrued income	34,385	41,349
Other debtors	10,410	-
	<u>64,903</u>	<u>76,878</u>

13. Creditors: amounts falling during within one year

	2013	2012
	£	£
Trade creditors	106,606	74,199
PAYE & NIC creditor	62,292	64,440
Other creditors	55,827	55,014
Accruals and deferred income	128,334	37,466
	<u>353,059</u>	<u>231,119</u>

Deferred Income

Deferred income at 1 September 2012	-	-
Amount released in the year	-	-
Resources deferred in the year	54,323	-
Deferred income at 31 August 2013	<u>54,323</u>	<u>-</u>

14. Funds

	Balance at 1 September 2012 £	Income resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2013 £
Restricted general funds					
General Annual Grant (GAG)	-	4,604,130	(4,551,974)	(52,156)	-
Local authority grants	-	40,167	(40,167)	-	-
Pension reserve	(1,034,000)	-	(36,000)	20,000	(1,050,000)
	<u>(1,034,000)</u>	<u>4,644,297</u>	<u>(4,628,141)</u>	<u>(32,156)</u>	<u>(1,050,000)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	17,467	20,554	(535)	-	37,486
Long leasehold land and building conversion	19,390,900	-	(352,920)	-	19,037,980
Other tangible assets on conversion	353,512	-	(205,094)	-	148,418
Capital expenditure from other funds	-	-	(635)	73,548	72,913
	<u>19,761,879</u>	<u>20,554</u>	<u>(559,184)</u>	<u>73,548</u>	<u>19,296,797</u>
Total restricted funds	<u>18,727,879</u>	<u>4,664,851</u>	<u>(5,187,325)</u>	<u>41,392</u>	<u>18,246,797</u>
Unrestricted funds					
General funds	450,073	123,610	(103,413)	(21,392)	448,878
Total unrestricted funds	<u>450,073</u>	<u>123,610</u>	<u>(103,413)</u>	<u>(21,392)</u>	<u>448,878</u>
Total funds	<u>19,177,952</u>	<u>4,788,461</u>	<u>(5,290,738)</u>	<u>20,000</u>	<u>18,695,675</u>

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

14. Funds (continued)

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

Restricted general funds

This fund represents grants received for the Academy's operational activities and development. This includes the pension reserve which represents the potential liability due by the academy at the year end.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

Fixed asset fund

This fund represents the net book value of fixed assets that the academy have purchased out of grants received and have been transferred on conversion. Also included are capital grants amounting to £Nil (2012 £14,030) from DfE/EFA that were unspent at the year end.

Unrestricted funds

The unrestricted funds represent funds available to the Trustees to apply for the general purposes of the Academy.

Transfers

The transfers represent the capital expenditure purchased out of GAG funding of £73,548 and £21,392 represents funds transferred from unrestricted funds to support educational operations.

15. Analysis of net assets between funds

Fund balances at 31 August 2013 are represented by

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	19,296,797	19,296,797
Net current assets	448,878	-	-	448,878
Pension scheme liability	-	(1,050,000)	-	(1,050,000)
Total net assets	448,878	(1,050,000)	19,296,797	18,695,675

16. Financial commitments

At 31 August 2013, the academy had annual commitments under non-cancellable operating leases as follows

	2013 £	2012 £
<u>Other</u>		
Expiring within one year	3,321	-
Expiring within two and five years inclusive	39,628	12,035
	<u>42,959</u>	<u>12,035</u>

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

17. Reconciliation of net expenditure to net cash inflow from operating activities

	Year ended 31 August 2013 £	Period ended 31 August 2012 £
Net expenditure	(502,277)	(584,890)
Depreciation (note 11)	559,184	584,994
Capital grants from DfE and other capital income	(20,554)	(20,268)
Interest receivable (note 3)	(2,737)	(608)
FRS 17 pension cost less contributions payable (note 22)	-	(17,000)
FRS 17 pension finance income (note 22)	36,000	30,000
Decrease/(increase) in debtors	11,975	(76,878)
Increase in creditors	121,940	231,119
Net cash inflow from operating activities	203,531	146,469

18 Returns on investments and servicing of finance

	Year ended 31 August 2013 £	Period Ended 31 August 2012 £
Interest received	2,737	608
Net cash inflow from returns on investment and servicing of finance	2,737	608

19. Capital expenditure and financial investment

	Year ended 31 August 2013 £	Period Ended 31 August 2012 £
Purchase of tangible fixed assets	(108,132)	(6,238)
Capital grants from DfE/EFA	20,554	20,268
Net cash (outflow)/inflow from capital expenditure and financial investment	(87,578)	14,030

20. Analysis of changes in net funds

	At 1 September 2012 £	Cash flows £	At 31 August 2013 £
Cash in hand and at bank	618,344	118,690	737,034

21. Members' Liabilities

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

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

22. Pension and similar obligations

The Academy's employees belong to two principal pension schemes – the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by Leicestershire 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 £53,765 (2012: £54,729) were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was 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 review, 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.

JOHN FERNELEY COLLEGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

22. Pension and similar obligations (*continued*)

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

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

Teachers' Pension Scheme Changes

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

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

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

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40/80/100% basis.

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.

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22. Pension and similar obligations (*continued*)

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 2013 was £184,000 (2012, £169,000) of which employer's contributions totalled £141,000 (2012, £129,000) and employees' contributions totalled £43,000 (2012, £40,000).

Principal Actuarial Assumptions

	At 31 August 2013	At 31 August 2012
Rate of increase in salaries	5.1%	4.5%
Rate of increase for pensions in payment / inflation	2.8%	2.2%
Discount rate for scheme liabilities	4.6%	4.1%
Inflation assumption (CPI)	2.8%	3.0%

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

	At 31 August 2013	At 31 August 2012
<i>Retiring today</i>		
Males	20.9	20.9
Females	23.3	23.3
<i>Retiring in 20 years</i>		
Males	23.3	23.3
Females	25.6	25.6

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

	Expected return at 31 August 2013	Fair value at 31 August 2013 £	Expected return at 31 August 2012	Fair value at 31 August 2012 £
Equities	6.6%	700,000	5.5%	566,000
Bonds	3.8%	285,000	2.8%	137,000
Property	4.7%	99,000	3.7%	89,000
Other assets	3.6%	11,000	2.8%	16,000
Total market value of assets		1,095,000		808,000
Present value of scheme liabilities				
Funded		(2,145,000)		(1,842,000)
Deficit in the scheme		(1,050,000)		(1,034,000)

The expected return on assets is a weighted average of the assumed long term returns of various asset classes.

The actual return on scheme assets was £36,000.

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NOTES TO THE FINANCIAL STATEMENTS
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22. Pension and similar obligations (*continued*)

Amounts recognised in the statement of financial activities

	2013	2012
	£	£
Current service cost (net of employee contributions)	138,000	112,000
Past service cost	-	-
Total operating charge	138,000	112,000

Analysis of pension finance income/(costs)

	2013	2012
	£	£
Expected return on pension scheme assets	43,000	30,000
Interest on pension liabilities	(79,000)	(60,000)
Pension finance costs	(36,000)	(30,000)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £20,000 gain (2012 £148,000 loss)

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

	2013	2012
	£	£
At 1 September 2012	1,842,000	1,476,000
Current service cost	138,000	112,000
Employee contributions	43,000	40,000
Actuarial loss	40,000	154,000
Interest cost	79,000	60,000
Losses on curtailments	3,000	-
At 31 August 2013	2,145,000	1,842,000

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

	2013	2013
	£	£
At 1 September 2012	808,000	603,000
Expected return on assets	43,000	30,000
Actuarial gain	60,000	6,000
Employer contributions	141,000	129,000
Employee contributions	43,000	40,000
At 31 August 2013	1,095,000	808,000

The estimated value of employer contributions for the year ended 31 August 2014 is £146,000

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NOTES TO THE FINANCIAL STATEMENTS
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22. Pension and similar obligations (*continued*)

The three year history of experience adjustments is as follows:

	2013 £	2012 £	2011 £
Present value of defined benefit obligations	(2,145,000)	(1,842,000)	(1,476,000)
Fair value share of scheme assets	1,095,000	808,000	603,000
Deficit in the scheme	<u>(1,050,000)</u>	<u>(1,034,000)</u>	<u>(873,000)</u>
Experience adjustments on share of scheme assets	60,000	6,000	n/a
Experience adjustments on scheme liabilities	-	-	n/a

23. Related Party Transactions

Owing to the nature of the Academy's operations and the composition of the board of trustees 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 trustees 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.

24. Investments

During the year, the Academy Trust acquired one ordinary share of £1 each (being 50% ownership) in ES2 Limited a company incorporated on 18 February 2013 in England and Wales.

The company has remained dormant throughout the period and since the year end the Academy Trust has disposed of its share at par value.