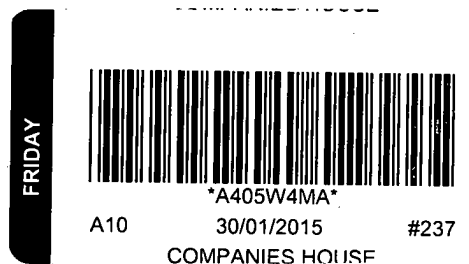


**Penwortham Priory Academy Trust
(A Company Limited by Guarantee)**

Annual Report and Financial Statements

For the year ended 31st August 2014



**Company Registration Number:
08133703 (England and Wales)**

Penwortham Priory Academy Trust

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Penwortham Priory Academy Trust

Reference and administrative details

Members

Mrs M Beare
Mr K Burke
Mrs S Ewing
Mr D Hewitt (appointed 15th October 2014)

Trustees

Mrs M Beare
Prof G Becket (appointed 29th September 2014)
Mr K Bolton
Mr K Burke
Mr T Carter (resigned 10th March 2014)
Mr M Eastham (appointed 1st September 2014)
Mrs S Ewing
Mrs L Gaffing
Mr D Hewitt (appointed 15th October 2014)
Mr J Hourigan (retired 31st August 2014)
Mr A Jones
Mr K Jones
Mrs K Parekh
Mr A Taylor
Mr D Taylor
Mrs K Thomson
Mr A Watters
Mr C Wood (appointed 23rd July 2014)

Secretary

Mrs M Collins (retired 31st May 2014)
Mrs B Pownall (appointed 16th June 2014)

Senior management team

Mrs L Cowell
Mrs D Crank
Mr M Eastham
Mr N Gee
Mr S Hardcastle
Mr J Hourigan (retired 31st August 2014)
Mrs H Saint
Ms H Young

Registered Office

Crows Hill Road
Penwortham
Preston
PR1 0JE

Company Registration Number

08133703

Penwortham Priory Academy Trust

Reference and administrative details (continued)

Auditors	Colman, Whittaker and Roscow The Close Queen Square Lancaster LA1 1RS
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Bankers	Lloyds Bank 94 Fishergate Preston PR1 2JB
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Solicitors	Lancashire County Council County Hall Preston PR1 0LD
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Penwortham Priory Academy Trust

Trustees' Report

The Trustees present their annual report together with the audited financial statements of the Academy Trust (the Academy) for the period from the 1st September 2013 to the 31st August 2014.

The trust operates an academy for pupils aged 11 to 16 serving a catchment area local to the school.

Structure, Governance and Management

Constitution

The Academy 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 Academy.

The Charitable Company was incorporated on the 6th July 2012 and began trading on the 1st November 2012. The comparative figures on the financial statements therefore reflect a 10 month accounting period.

The trustees of Penwortham Priory Academy are also the directors of the charitable company for the purposes of company law. The charitable company is known as Penwortham Priory Academy. The Trustees also make up the Governing Body of the Academy and each Trustee is a Governor of the Academy.

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

Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the 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 purchased indemnity insurance to protect Governors and Officers from claims. The insurance provides cover of up to £2,000,000 (see note 11).

Principal Activities

The principal object and activity of the Academy Trust is to provide secondary education for pupils of mixed abilities between the ages of 11 and 16.

Method of Recruitment and Appointment or Election of Trustees

The Trustees make up the Governing Body of the Academy and each Trustee is a Governor of the Academy.

The Board of Governors consists of 17 Governors.

- (i) 6 Community Governors appointed by the Board of Governors
- (ii) 4 Parent Governors

Parent Governors are elected by the parents of registered pupils of the Academy and must themselves be parents of a pupil at the time of their election. When a vacancy occurs, every parent is informed of the vacancy and that he/she is entitled to stand as a candidate. If the number of candidates exceeds the number of vacancies, an election is held by secret ballot.

Penwortham Priory Academy Trust

Trustees' Report (continued)

(iii) 3 Co-opted Governors appointed by the Board of Governors

(iv) 3 Staff Governors (2 Teaching and 1 Associate)

Staff Governors are elected by all staff under a contract of employment with the Academy. When a vacancy occurs, every member of staff is notified and may stand as a candidate. If the number of candidates exceeds the number of vacancies, an election is held by secret ballot.

(v) The Headteacher, ex officio

The term of appointment of Governors is generally for four years except for the Headteacher who holds their appointment for the term of their office. Also, if a Staff Governor leaves the employment of the Academy, they are deemed to have resigned from the Board of Governors.

Policies and Procedures Adopted for the Induction and Training of Trustees.

Newly appointed Governors are provided with recent minutes and other key documents prior to an induction session with the Headteacher and Chair of Governors. Training opportunities are discussed with the Clerk to the Governors.

Organisational Structure

The Academy is governed by its Governing Body, whose members are Directors of the Charitable Company for the purposes of the Companies Act 2006 and Trustees for the purposes of charity legislation. The organisational structure of the Academy consists of 3 levels: the Governing Body, the Headteacher and the Senior Leadership Team.

The Governing Body is responsible for setting general policies, adopting a school development plan and budget, monitoring the school's performance, making major policy decisions and appointing senior staff. Certain elements of these responsibilities are delegated to the following sub-committees who make recommendations to the full Governing Body:

Finance and Property
Pupils, Parents and Curriculum
Staffing, Personnel and Standards

The Headteacher is also the Accounting Officer and has responsibility for ensuring that grant income is spent in line with the Funding Agreement.

The Senior Leadership Team comprises:

Deputy Headteacher	Matthew Eastham (<i>appointed as Headteacher from 1st September 2014</i>)
Assistant Headteacher	Lisa Cowell (<i>appointed as Deputy Head from 1st September 2014</i>)
Assistant Headteacher	Donna Crank
Assistant Headteacher	Neil Gee
Assistant Headteacher	Heather Young
Strategic Business Development Manager	Helen Saint

Connected Organisations, including Related Party Relationships

There are no connected organisations in the period. Related party transactions are disclosed in note 27 to the accounts.

Penwortham Priory Academy Trust

Trustees' Report (continued)

Objectives and Activities

Objects and Aims

The principal object and activity of the Charitable Company is the operation of Penwortham Priory Academy to provide education for pupils of different abilities between the ages of 11 and 16. The Governors have referred to the guidance issued by the Charity Commission in respect of public benefit when reviewing the aims and objectives of the Academy.

In accordance with the Articles of Association the Charitable Company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting pupils to the Academy and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the Academy during the period ended 31st August, 2014 are summarised below:

- to raise the standard of educational achievement of all pupils;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory requirements;
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness;
- to continue initiatives to increase the number of pupils at the academy towards the targets set.

The principal long term objectives of the Academy are laid out in the Funding Agreement in addition to the points summarised above.

Objectives, Strategies and Activities

The objectives and associated actions from last year have been, or continue to be, addressed. We can summarise our strategy and activities as follows:

With the appointment of the Academy's new Headteacher from 1st September 2014 activity is being focused around four key strategic aims, which feed into a central theme of increasing the pupil roll:

1. Learning and Teaching
2. Stakeholders – Community and Primary
3. Reputation – Pastoral and Academic
4. Funding

Public Benefit

Governors (Trustees) are confident that Penwortham Priory Academy has complied with its requirements for the public benefit of secondary education for all its pupils. This can be demonstrated by not only the good examination results but also by the very high numbers of pupils who move on to further education. Additionally, and of equal significance, the school has now had 6 years with no NEETS which is a testimony to the individualised nature of the curriculum offered to all its pupils.

In relation to the community, the school has extensive links with a variety of partners ranging from our partner primary schools, further education colleges, business and community groups, and the academy is the sole premier partner with BAe Systems. The school actively encourages their involvement in the curriculum of the school as well as the use of its facilities by and for the community beyond the school day. As a dual use site we are also intrinsically linked with South Ribble Borough Council for a range of sporting activities.

Trustees' Report (continued)

Our engagement with the community demonstrates our commitment to:

- Education
- Community cohesion
- Provision of services for the community
- Extended use of buildings and premises

Strategic report

Achievements and Performance

Exam results 2014

A*-C grades	63%
A*-C grades incl. Eng & Maths	60%
A*-C grades in English	76% (up 6%)
A*-C grades Maths	69%
2 x A*-C grades Science	60% (up 14%)

In summary, we saw a rise in the number of students achieving GCSE grades A* to C in English and Science. 76% of students achieved grades A* to C in English, up 6% from last year, whilst there was a 14% increase in students earning A* to C grades in Science. We maintained a good pass rate in Maths of 69% and a 100% pass rate for students entered for the Further Maths paper; all achieving A or A* grades. 1 pupil achieved an A* Distinction in Further Maths. 10 pupils were also awarded eight or more A* and A grades, with 3 pupils achieving straight A*'s or A's in all the subjects they took. Our overall A*-C pass rate of 63% and 60% including English and Maths are in line with predictions for subjects pupils have been entered for and results for many individual subject areas have been very good.

Levels of Progress from KS2

2013

	%age 3+ levels made	%age 4+ levels made	%age 5+ levels made
English	73%	34%	5%
Maths	76%	26%	5%
Science	44%	17%	3%

2014

	%age 3+ levels made	%age 4+ levels made
English	81%	31%
Maths	66%	25%
Science	75%	32%

Penwortham Priory Academy Trust

Trustees' Report (continued)

Key Performance Indicators

The Academy Trust complies with all the terms and conditions of its Funding Agreement with the DfE.

Financial performance is measured using a series of control and monitoring systems and procedures as follows:

1. Budget planning
2. Budget monitoring and reporting
3. Income generation targets
4. Regular review of staffing needs and structures
5. Review of best value of supplies and services

Going Concern

After making appropriate enquiries, the Board of Trustees 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 basis can be found in the Accounting Policies note of the financial statements (note 1)

Financial Review

The majority of the Academy's income is obtained from the Department for Education (DfE) via the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the year ended 31st August 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Academy also receives grants for fixed assets from the DfE. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the period ended 31st August 2014, total expenditure was covered by recurrent grant funding from the DfE together with other incoming resources. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

Reserves Policy

Penwortham Priory Academy has produced budgets that are sustainable and allowed for a reserve to be built during the year to 31st August 2014 in order to safeguard against future budget income reductions. The value of this reserve is included in the Statement of Financial Activities.

Investment Policy

Any significant unrestricted reserves are placed on deposit for a period that the Academy deems will maintain sufficient operating liquidity.

Principal Risks and Uncertainties

The main risk to the academy for the immediate future is how it responds to and plans for the continued economic uncertainty and the effect of further education funding reforms and the low birth rate in the area of South Ribble.

Penwortham Priory Academy Trust

Trustees' Report (continued)

Risk Management

The Governors have assessed the major risks to which the Academy is exposed, in particular those relating to teaching, public profile, health and safety, school trips, child protection, finances, staffing issues and Governors. These risks are reviewed on an annual basis by the Governing Body and the Senior Leadership Team.

The internal financial systems are based on the Academies Financial Handbook and are documented in the financial procedures. The systems are based on a framework of segregation of duties, schemes of delegation which include authorisation and approval. Financial management information is provided to the Governors monthly.

The responsible officer role has been performed during the period 1st September 2013 to 31st August 2014 and these reports have been presented to the Governing Body. No major issues have been identified.

Financial and Risk Management Objectives and Policies

The academy is exposed to a number of financial risks including credit, cash flow and liquidity risks. Given the academy's exposure to financial instruments being limited, the exposure principally relates to bank balances, cash and trade creditors, with limited trade (and other) debtors. The academy's systems of internal control ensure risk is minimal in these areas. The Local Government Pension Scheme deficit is a risk to be monitored and details of the deficit are given in the financial statements (see note 26).

Plans for Future Periods

Plans for the period from 1st September 2014 include the growth of the capital reserve to enable further refurbishment of buildings during 2014. Ongoing aims are to continue responsible financial management that provides opportunities to further the educational aims of the Academy.

Funds held as Custodian Trustee on behalf of others

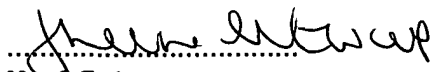
There are no funds held as custodian trustee on behalf of others.

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.

Trustees' report, incorporating a strategic report, approved by order of the Board of Trustees, as the company directors, on the 03/12/2014 and signed on the board's behalf by:


.....
Mrs S Ewing
Chair of Trustees

Penwortham Priory Academy Trust

Governance Statement

Scope of Responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Headteacher, 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 Penwortham Priory Academy 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 Governors has formally met 3 times during the year. Attendance during the year at meetings of the board of trustees was as follows:-

Governor	Meetings attended	Out of a possible
S. Ewing (Chair)	3	3
M. Beare	3	3
G. Becket	1	1
K. Bolton	3	3
K. Burke	3	3
T. Carter	1	2
L. Gaffing	3	3
A. Jones	2	3
K. Jones	2	3
K. Parekh	2	3
A. Taylor	3	3
D. Taylor	3	3
K. Thomson	3	3
A. Watters	3	3
C. Wood	1	1
J. Hourigan (Headteacher and accounting officer)	3	3

The Finance and Property committee is a sub-committee of the main board of Governors. Its purpose is to monitor the finances of the Academy and manage resources. Attendance at meetings in the year was as follows:-

Governor	Meetings attended	Out of a possible
K. Bolton	4	4
T. Carter	3	3
S. Ewing	4	4
K. Thomson	1	4
J. Hourigan (Headteacher and accounting officer)	4	4

Penwortham Priory Academy Trust

Governance Statement (continued)

The Pupils, Parents and Curriculum committee is a sub-committee of the main board of Governors. Its purpose is to monitor the impact of curriculum development on pupils and parents. Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
M. Beare	3	3
A. Jones	0	3
A. Taylor	3	3
D. Taylor	3	3
A. Watters	1	3
K. Parekh	0	3

The Staffing, Personnel and Standards committee is a sub-committee of the main board of Governors. Its purpose is to monitor and measure standards in the school in relation to staffing and personnel. Attendance at meetings in the year was as follows:

K. Burke	3	3
L. Gaffing	3	3
K. Jones	0	3
J. Hourigan (Headteacher and accounting officer)	0	3

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 ongoing process designed to identify and prioritise the risks to the achievement of Academy's 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 Penwortham Priory Academy for the year ended 31st August 2014 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees 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 of Trustees 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 ended 31st August, 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

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 Property 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;

Penwortham Priory Academy Trust

Governance Statement (continued)

- 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 specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed Julie Cottam, LCC Auditor, as the Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

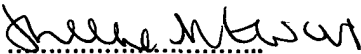
Review of Effectiveness

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

- the Board;
- the Finance Committee (where applicable);
- the Risk Committee/risk managers/risk improvement manager (where applicable);
- the independent risk review function (eg. Responsible Officer);
- external audit;
- other explicit review/assurance mechanisms.

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

Approved by order of the Board of Trustees on the 03/12/14 and signed on its behalf by:


.....
Mrs S Ewing
Chair of Trustees


.....
Mr M Eastham
Accounting Officer

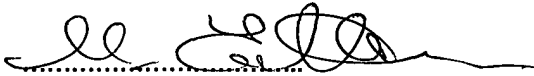
Penwortham Priory Academy Trust

Statement on Regularity, Propriety and Compliance

As Accounting Officer of Penwortham Priory Academy I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education Funding Agency (EFA) 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. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.



Mr M Eastham
Accounting Officer

Date: 03/12/14

Penwortham Priory Academy Trust

Statement of Trustees' Responsibilities

The trustees (who act as governors of Penwortham Priory Academy are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Annual Report including the Strategic Report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction published by the Education Funding Agency.

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for the 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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.

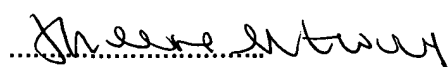
The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls which conform to the requirements both of propriety and good financial management. They are also responsible for ensuring that grants received from the Education Funding Agency and Department for Education have been applied for the purposes intended.

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 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 Board of Trustees on the 03/12/2014 and signed on its behalf by:



Mrs S Ewing
Chair of Trustees

Penwortham Priory Academy Trust

Independent Auditor's Report to the Members of Penwortham Priory Academy Trust

We have audited the financial statements of Penwortham Priory Academy for the year ended 31st August 2014 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 applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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 trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 14, the trustees (who are also the directors of the Academy Trust 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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at the 31st August 2014, 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 the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

(continued)

Penwortham Priory Academy Trust

Independent Auditor's Report to the Members of Penwortham Priory Academy Trust (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report including the Strategic 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:

- adequate accounting records have not been kept 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.



Mr J Bellamy FCA (Senior Statutory Auditor)

For and on behalf of Colman Whittaker and Roscow
Statutory Auditor
The Close
Queen Square
Lancaster
LA1 1RS

Date: 8/12/14

Penwortham Priory Academy Trust

Independent Reporting Accountant's Assurance Report on Regularity to Penwortham Priory Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated the 20th August 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Penwortham Priory Academy Trust during the year 1st September 2013 to the 31st August 2014 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 Penwortham Priory Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Penwortham Priory Academy and 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 Penwortham Priory Academy and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Penwortham Priory Academy's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Penwortham Priory Academy's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from the 1st September 2013 (updated October 2013), 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 2013 to 2014. 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 year from the 1st September 2013 to the 31st August 2014 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 2013 to 2014 issued by 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 work undertaken to draw our conclusions includes:

- Obtaining evidence including those tests relevant to the circumstances of the academy as prescribed in Section 10.4 of the Academies Accounts Direction 2013 to 2014 issued by the EFA in May 2014; and
- Planning and performing any additional tests we deemed necessary to express an opinion on regularity.

(continued)

Penwortham Priory Academy Trust

Independent Reporting Accountant's Assurance Report on Regularity to Penwortham Priory Academy and the Education Funding Agency (continued)

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 year from the 1st September 2013 to the 31st August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mr J Bellamy FCA (Senior Statutory Auditor)

For and on behalf of Colman Whittaker and Roscow
Statutory Auditor
The Close
Queen Square
Lancaster
LA1 1RS

Date: 8/12/14

Penwortham Priory Academy Trust

Statement of Financial Activities for the year ended 31st August 2014
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2014 £000	Total 2013 £000
	Note					
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	2	-	122	-	122	130
Transfer from local authority on conversion		-	-	-	-	5,093
Activities for generating funds	3	110	7	-	117	121
Investment income	4	1	-	-	1	1
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations	5	-	3,710	713	4,423	3,298
Total incoming resources		111	3,839	713	4,663	8,643
Resources expended						
<i>Cost of generating funds:</i>						
Costs of generating voluntary income		-	125	-	125	127
Costs of activities for generating funds		108	7	-	115	104
<i>Charitable activities:</i>						
Academy's educational operations	7	-	3,509	52	3,561	2,888
Governance costs	8	-	12	-	12	19
Total resources expended	6	108	3,653	52	3,813	3,138
Net incoming resources before transfers		3	186	661	850	5,505
Gross transfers between funds	16	(16)	(158)	174	-	-
Net (expenditure)/income for the year		(13)	28	835	850	5,505
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	16, 26	-	282	-	282	(813)
Net movement in funds		(13)	310	835	1,132	4,692
Reconciliation of funds						
Funds brought forward at 1 st September 2013	16	310	(675)	5,057	4,692	-
Funds carried forward at 31st August 2014	16	297	(365)	5,892	5,824	4,692

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

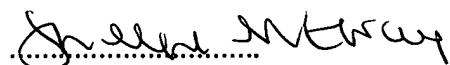
A statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

Penwortham Priory Academy Trust

Balance sheet as at 31st August 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	12		5,827		4,801
Current assets					
Debtors	13	420		119	
Cash at bank and in hand		484		849	
		<u>904</u>		<u>968</u>	
Liabilities					
Creditors: Amounts falling due within one year	14	<u>(281)</u>		<u>(264)</u>	
Net current assets			<u>623</u>		<u>704</u>
Total assets less current liabilities			6,450		5,505
Creditors: Amounts falling due after one year	15		(56)		-
Net assets excluding pension liability			<u>6,394</u>		<u>5,505</u>
Pension scheme liability	26		(570)		(813)
Net assets including pension liability			<u>5,824</u>		<u>4,692</u>
Funds of the academy:					
Restricted funds					
Fixed asset fund(s)	16		5,892		5,057
General fund(s)	16		205		138
Pension reserve	16		<u>(570)</u>		<u>(813)</u>
Total restricted funds			<u>5,527</u>		<u>4,382</u>
Unrestricted income funds					
General fund(s)	16		297		310
Total funds			<u>5,824</u>		<u>4,692</u>

The financial statements on pages 19 to 40 were approved by the trustees, and authorised for issue on the 03/12/2014 and are signed on their behalf by:



Mrs S Ewing
Chair of Trustees

Company Limited by Guarantee
Registration Number 08133703

Penwortham Priory Academy Trust

Cash Flow Statement for the year ended 31st August 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	20	(1)	302
Returns on investments and servicing of finance	21	1	1
Capital expenditure	22	(365)	255
Cash transferred on conversion to an academy trust		-	291
(Decrease)/Increase in cash in the year	23	<u>(365)</u>	<u>849</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 st September 2013		849	-
Net funds at 31st August 2014		<u>484</u>	<u>849</u>

Notes to the Financial Statements for the year ended 31st August 2014

1 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 2013 to 2014 issued by Education 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 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 Academy to continue as a going concern. The trustees 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 Academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **Grants receivable**

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

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 period it is receivable and to the extent the goods have been provided or on completion of the service.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

1 Accounting Policies (continued)

- **Donated Services and Gifts in Kind**

The value of donated services and gifts in kind provided to the Academy are recognised at an estimate of their gross value in the period in which they are receivable as incoming resources, where the benefit to the Academy 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 asset category and depreciated over the useful economic life in accordance with Academy's accounting policies.

The conversion from a state maintained school to an Academy Trust in 2012 involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

On conversion the Academy entered into a lease agreement with the Lancashire County Council who own the land from which the Academy operates. The length of this lease is over a period of 125 years for a peppercorn rental. The buildings have been included within the financial statements using the EFA building valuation carried out in 2013.

Also on conversion the Academy inherited the fixtures and fittings and other tangible assets for the continued use of the Academy. It has been decided that the cost of putting a valuation on these assets would be disproportionate to the value of the information this would provide and so they are included at a £nil valuation. However the insurance replacement valuation is currently £3,216,000 per the 2013 policy.

~~The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.~~

Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance Costs**

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

All resources expended are inclusive of irrecoverable VAT.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

1 Accounting Policies (continued)

Tangible Fixed Assets

Assets costing £3,000 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's depreciation policy.

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

Long leasehold buildings	Over 125 years straight line
Fixtures, fittings and equipment	Over 3 years straight line
ICT equipment	Over 3 years straight line
Motor Vehicles	Over 5 years straight line

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 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 where substantially all of the benefits and risks of ownership remain with the lessor are charged against the statement of financial activities on a straight line basis over the period of the lease.

Taxation

The Academy 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 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.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

1 Accounting Policies (continued)

Pensions Benefits

Retirement benefits to employees of the Academy 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.

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 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 26, the TPS is a multi-employer scheme and the Academy 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 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 at the discretion of the trustees.

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education Funding Agency/Department for Education.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

2 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Trips and other non public funds	-	67	67	75
iPad donations	-	54	54	44
Other donations	-	1	1	11
	<u>-</u>	<u>122</u>	<u>122</u>	<u>130</u>

3 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Hire of facilities	54	-	54	42
Dual use agreement cost reimbursement	15	-	15	49
Sale of educational goods and services	35	-	35	22
Music tuition	6	-	6	8
Insurance claim	-	7	7	-
	<u>110</u>	<u>7</u>	<u>117</u>	<u>121</u>

4 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Short term deposits	1	-	1	1
	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

5 Funding for Academy's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
DfE/EFA revenue grants				
General Annual Grant (GAG)	-	3,513	3,513	2,805
Capital Grants	-	713	713	286
Other DfE/EFA grants	-	165	165	78
		<u>4,391</u>	<u>4,391</u>	<u>3,169</u>
Other Government grants				
Local authority grants	-	32	32	129
	-	<u>32</u>	<u>32</u>	<u>129</u>
	-	<u>4,423</u>	<u>4,423</u>	<u>3,298</u>

6 Resources Expended

	Staff Costs £000	Non Pay Expenditure Premises £000	Other Costs £000	Total 2014 £000	Total 2013 £000
Costs of generating voluntary income	2	-	123	125	127
Costs of activities for generating funds	28	46	41	115	104
Academy's educational operations					
Direct costs	2,454	45	311	2,810	2,246
Allocated support costs	256	384	111	751	642
	<u>2,740</u>	<u>475</u>	<u>586</u>	<u>3,801</u>	<u>3,119</u>
Governance costs including allocated support costs	2	-	10	12	19
	<u>2,742</u>	<u>475</u>	<u>596</u>	<u>3,813</u>	<u>3,138</u>

The method used for the apportionment of support costs is disclosed in the accounting policies (note 1).

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

6 Resources Expended (continued)

	2014 £000	2013 £000
Incoming/outgoing resources for the year include:		
Operating leases		
Plant and machinery	68	39
Other leases	-	-
	<u>68</u>	<u>39</u>

No transactions have taken place under Section 2.4.33 of the 2013 Academies Financial Handbook which require additional disclosure.

7 Charitable Activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Direct costs – educational operations				
Teaching and educational support staff costs	-	2,454	2,454	2,009
Depreciation	-	45	45	30
Educational supplies	-	230	230	151
Examination fees	-	65	65	37
Staff development	-	16	16	19
	<u>-</u>	<u>2,810</u>	<u>2,810</u>	<u>2,246</u>
Support costs – educational operations				
Support staff costs	-	256	256	230
Depreciation	-	7	7	2
Recruitment and support	-	22	22	-
Maintenance of premises and equipment	-	178	178	122
Cleaning	-	59	59	80
Rent and rates	-	45	45	14
Energy costs	-	61	61	75
Insurance	-	38	38	29
Security and transport	-	4	4	2
Catering	-	51	51	38
Other support costs including Service Level Agreements and other professional costs	-	30	30	50
	<u>-</u>	<u>751</u>	<u>751</u>	<u>642</u>
Total direct and support costs		<u>3,561</u>	<u>3,561</u>	<u>2,888</u>

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

8 Governance Costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000	Total 2013 £000
Legal and professional fees	-	-	-	7
Auditor's remuneration				
• Audit of financial statements	-	3	3	3
• Accountancy, taxation and other services	-	7	7	7
Support staff costs:				
Clerk to the governors	-	2	2	2
	<u>-</u>	<u>12</u>	<u>12</u>	<u>19</u>

9 Staff

(a) Staff costs

	2014 £000	2013 £000
Staff costs during the period were:		
Wages and salaries	2,186	1,804
Social security costs	162	140
Pension costs	350	280
	<u>2,698</u>	<u>2,224</u>
Supply staff costs	41	78
Staff restructuring costs	3	-
	<u>2,742</u>	<u>2,302</u>

(b) Staff severance payments

Included in staff restructuring costs are non-statutory / non-contractual severance payments totalling £3,000.

(c) Staff numbers

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

	2014 Number	2014 Full-time equivalent	2013 Number	2013 Full-time equivalent
Charitable Activities				
Teachers	38	36	39	38
Administration and support	40	23	47	23
Management	7	7	6	6
	<u>85</u>	<u>66</u>	<u>92</u>	<u>67</u>

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

9 Staff (continued)

(d) Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	2014 No.	2013 No.
£80,001 - £90,000	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

The above employee participated in the Teacher's Pension Scheme. During the year ended 31st August 2014 employer's pension contributions for these staff amounted to £12,604 (2013: £9,950).

10 Related Party Transactions - Trustees' Remuneration and Expenses

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

Mr J Hourigan (Headteacher and Trustee):	£85,000 - £90,000	(2013: £80,000 - £85,000)
Mr K Bolton (Staff Trustee):	£30,000 - £35,000	(2013: £30,000 - £35,000)
Mr A Taylor (Staff Trustee):	£35,000 - £40,000	(2013: £35,000 - £40,000)
Mr A Watters (Staff Trustee):	£40,000 - £45,000	(2013: £40,000 - £45,000)

Related party transactions involving the trustees are set out in note 27.

11 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 £2,000,000 on any one claim and the cost for the year ended 31st August 2014 was £1,381 (2013: £1,261). The cost of this insurance is included in the total insurance cost.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

12 Tangible Fixed Assets

	Leasehold Land and Buildings £000	Computer Equipment £000	Total £000
Cost			
At 1 st September 2013	4,832	1	4,833
Additions	1,066	12	1,078
Disposals	-	-	-
At 31 st August 2014	5,898	13	5,911
Depreciation			
At 1 st September 2013	32	-	32
Charged in year	47	5	52
Disposals	-	-	-
At 31 st August 2014	79	5	84
Net book values			
At 31 st August 2014	5,819	8	5,827
At 31 st August 2013	4,800	1	4,801

13 Debtors

	2014 £000	2013 £000
Trade debtors	56	15
VAT recoverable	298	31
Other debtors	23	18
Prepayments and accrued income	43	55
	420	119

14 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	12	102
Taxation and social security	50	51
Other creditors	62	77
Accruals and deferred income	157	34
	281	264

15 Creditors: amounts falling due after one year

	2014 £000	2013 £000
Other creditors	56	-
	56	-

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

16 Funds

	Balance at 1 st September 2013 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 st August 2014 £000
Restricted general funds					
General Annual Grant (GAG)	135	3,513	(3,295)	(158)	195
Other DfE/EFA grants	-	165	(165)	-	-
Local authority grants	-	32	(22)	-	10
Other restricted funds	3	129	(132)	-	-
	138	3,839	(3,614)	(158)	205
Pension reserve	(813)	-	(39)	282	(570)
	(675)	3,839	(3,653)	124	(365)
Restricted fixed asset funds					
DfE/EFA capital grants	256	713	-	(904)	65
Assets capitalised post conversion	31	-	(14)	1,078	1,095
Assets on conversion	4,770	-	(38)	-	4,732
	5,057	713	(52)	174	5,892
Total restricted funds	4,382	4,552	(3,705)	298	5,527
Unrestricted funds					
Unrestricted funds	310	111	(108)	(16)	297
Total unrestricted funds	310	111	(108)	(16)	297
Total funds	4,692	4,663	(3,813)	282	5,824

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

The General Annual Grant (GAG) must be used for the normal running costs of the Academy. Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31st August 2014. At the period end the carry forward of GAG funding was £195,000.

Other DfE/EFA grants includes monies received outside of GAG funding for example the Pupil Premium. These funds have been spent in full by the 31st August 2014.

Local Authority grants represent amounts payable to the Academy predominantly from Lancashire County Council. As at the 31st August 2014 £10,000 of these funds had not been spent and are carried forward to the next accounting period.

Other restricted funds include monies from trips & non public funds and from iPad donations. During the period the trips & non public funds had no excess expenditure over income. All of the iPad donations were utilised in providing iPads to pupils.

The pension reserve represents the value of the academy's share of the deficit in the Local Government Pension Scheme. The value of the deficit had reduced to £570,000 at the 31st August 2014.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

16 Funds (continued)

DfE/EFA capital grants represent capital monies received during the period from the EFA, predominantly from the Academy Capital Maintenance Fund. As at the 31st August 2013 £65,000 remains unspent and is carried forward to the next accounting period.

Capitalised assets post conversion represents the value of assets purchased since conversion to academy status. These will be depreciated in line with the accounting policies set out in note 1.

Assets on conversion represent the transfer of leasehold assets, valued at £4,802,000 per the EFA building valuation carried out in 2013, into the Academy on conversion to academy status depreciated over a 125 year period.

Unrestricted funds represents funds generated via activities such as from lettings and bank interest receivable. This fund also includes the remaining balance of the surplus on conversion to academy status in 2012. The surplus on this fund at the period end was £297,000 and these funds can be used at the discretion of the Governors to meet the charitable objectives of the Academy.

17 Analysis of net assets between funds

Fund balances at 31st August 2014 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	5,827	5,827
Current assets	297	542	65	904
Current liabilities	-	(281)	-	(281)
Long term liabilities	-	(56)	-	(56)
Pension scheme liability	-	(570)	-	(570)
Total net assets	297	(365)	5,892	5,824

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

18 Capital commitments

	2014 £000	2013 £000
Contracted for, but not provided in the financial statements	752	964

Further funding from the EFA Academy Capital Maintenance Fund is due to the academy towards the cost of the above capital commitments.

19 Financial commitments

Operating leases

At 31st August 2014 the Academy had annual commitments under non-cancellable operating leases as follows:

	2014 £000	2013 £000
Land and buildings		
Expiring within one year	-	-
Expiring within two and five years inclusive	-	-
Expiring in over five years	-	-
	-	-
Other		
Expiring within one year	24	-
Expiring within two and five years inclusive	46	68
Expiring in over five years	-	-
	70	68

20 Reconciliation of net income to net cash inflow from operating activities

	2014 £000	2013 £000
Net income	850	5,505
Depreciation (note 12)	52	32
Assets on transfer to academy status	-	(5,093)
Capital grants from DfE/EFA and other capital income	(713)	(286)
Interest receivable (note 4)	(1)	(1)
FRS 17 pension cost less contributions payable (note 26)	7	-
FRS 17 pension finance income (note 26)	32	-
(Increase) in debtors	(301)	(119)
Increase in creditors	73	264
Net cash inflow from operating activities	(1)	302

21 Returns on investments and servicing of finance

	2014 £000	2013 £000
Interest received	1	1
Net cash inflow from returns on investment and servicing of finance	1	1

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

22 Capital expenditure and financial investment

	2014 £000	2013 £000
Purchase of tangible fixed assets	(1,078)	(4,833)
Capital grants from DfE/EFA	713	286
Assets on conversion	-	4,802
Net cash (outflow)/inflow from capital expenditure and financial investment	(365)	255

23 Analysis of changes in net funds

	At 1 st September 2013 £000	Cash flows £000	At 31 st August 2014 £000
Cash in hand and at bank	849	(365)	484
	<u>849</u>	<u>(365)</u>	<u>484</u>

24 Contingent Liabilities

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

25 Members' Liability

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

26 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 Lancashire County Pension Fund. 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 31st March 2012 and of the LGPS 31st March 2013.

At the end of the financial year contributions amounting to £40,563 (2013: £41,268) were payable to the schemes and are included within creditors.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

26 Pension and similar obligations (continued)

Teachers' Pension Scheme

Introduction

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

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1st April 2015 and will be implemented for the TPS from September 2015.

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

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

26 Pension and similar obligations (continued)

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 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 with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1st 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 1st 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 up to three and a half years 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 have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representative bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1st April 2014. Communications are being rolled out and the reformatted scheme will commence on 1st April 2015.

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.

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 31st August 2014 was £118,000 of which employer's contributions totalled £89,000 and employees' contributions totalled £29,000. The agreed contribution rates for future years are 14.8% for employers and the rate for the employees remains dependent on the salary of the employee.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on the 18th July 2013.

As described in note 1 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/period. 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.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Principal Actuarial Assumptions	At 31 st August 2014	At 31 st August 2013
Rate of increase in salaries	3.7%	4.4%
Rate of increase for pensions in payment / inflation	2.2%	2.4%
Discount rate for scheme liabilities	4.0%	4.6%
Inflation assumption (CPI)	2.2%	2.4%
Commutation of pensions to lump sums	50%	50%

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

	At 31 st August 2014	At 31 st August 2013
<i>Retiring today</i>		
Males	22.8	22.1
Females	25.3	24.8
<i>Retiring in 20 years</i>		
Males	25.0	23.9
Females	27.7	26.7

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

	Expected return at 31 st August 2014	Fair value at 31 st August 2014 £000	Expected return at 31 st August 2013	Fair value at 31 st August 2013 £000
Equities	7.0%	505	7.0%	333
Government bonds	2.9%	2	3.4%	45
Other bonds	3.8%	271	4.4%	133
Property	6.2%	98	5.7%	54
Cash	0.5%	24	0.5%	30
Other	7.0%	117	7.0%	53
Total market value of assets		1,017		648
Present value of scheme liabilities				
- Funded		(1,587)		(1,461)
(Deficit) in the scheme		(570)		(813)

The actual return on scheme assets was £56,000 (2013: £66,000).

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Amounts recognised in the statement of financial activities

	2014 £000	2013 £000
Current service cost (net of employee contributions)	97	89
Past service cost	-	-
Total operating charge	<u>97</u>	<u>89</u>
Analysis of pension finance (costs)		
Expected return on pension scheme assets	39	39
Interest on pension liabilities	(71)	(70)
Pension finance (costs)	<u>(32)</u>	<u>(31)</u>

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 £291,000 gain (2013: £9,000 gain).

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

	2014 £000	2013 £000
At 1 st September	1,461	-
Current service cost	97	89
Past service cost	-	-
Interest cost	71	51
Employee contributions	29	26
Actuarial (gain)/loss	(71)	33
Curtailments and settlements	-	-
Benefits paid	-	-
Business combinations	-	1,262
At 31 st August	<u>1,587</u>	<u>1,461</u>

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

	2014 £000	2013 £000
At 1 st September	648	-
Expected return on assets	39	24
Actuarial gain	211	42
Employer contributions	90	83
Employee contributions	29	26
Assets distributed on settlements	-	-
Transfer in of new members	-	-
Benefits paid	-	473
At 31 st August	<u>1,017</u>	<u>648</u>

The estimated value of employer contributions for the year ended 31st August 2015 is £90,000.

Notes to the Financial Statements for the year ended 31st August 2014 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2014 £000	2013 £000
Present value of defined benefit obligations	(1,587)	(1,461)
Fair value of share of scheme assets	1,017	648
(Deficit) in the scheme	<u>(570)</u>	<u>(813)</u>
Experience adjustments on share of scheme assets	211	42
Experience adjustments on scheme liabilities:	<u>84</u>	<u>-</u>

27 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, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are to be conducted at cost and in accordance with the trust's financial regulations, the Academies Financial Handbook and normal procurement procedures.

No related party transactions took place during the course of the year ended 31st August 2014.