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# financial statements

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**The Hills Academy**

**Company Limited by Guarantee**

For the period ended 31 August 2013

Company registration number 08434199

THURSDAY



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COMPANIES HOUSE



**MHA MacIntyre Hudson**  
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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS GOVERNORS AND ADVISERS**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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**Governors**

Mr Christopher Jones, Chair (appointed 7 March 2013)  
Mr David Burgess, Vice-Chair (appointed 1 April 2013)<sup>1</sup>  
Mrs Moya Whitehead, Headteacher (appointed 1 April 2013)<sup>1</sup>  
Mr Edward Kirk (appointed 1 April 2013)  
Mrs Tracey Foster (appointed 1 April 2013)<sup>1</sup>  
Mrs Sarah Holme (appointed 7 March 2013)  
Mr Richard Watson (appointed 7 March 2013)<sup>1</sup>  
Dr Kirsten Hill (appointed 1 April 2013, resigned 29 April 2013)  
Mrs Charlotte Cornwall (nee Robertson) (appointed 1 April 2013)  
Mr Alexander Daye (appointed 1 April 2013)<sup>1</sup>  
Mr Charlie Palmer (appointed 1 April 2013)  
Mr Richard Wightman (appointed 1 April 2013)<sup>1</sup>

<sup>1</sup> Resources Committee

**Company registered number** 08434199

**Principal and registered office** The Hills Academy  
Stancliffe Road  
Bedford  
MK41 9AT

**Senior management team**

Mrs M Whitehead, Headteacher and Accounting Officer  
Mrs V Thomson, Deputy Headteacher  
Mrs S Mackay, Assistant Headteacher  
Mrs C Humphreys, Assistant Headteacher  
Mrs E Craigen, Assistant Headteacher & SENCO  
Mr E Kirk, Senior Teacher  
Mrs J Lawes, Data Analysis and Visits Co-ordinator

**Independent auditors** MHA MacIntyre Hudson  
Chartered Accountants  
Equipoise House  
Grove Place  
Bedford  
MK40 3LE

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS GOVERNORS AND ADVISERS**  
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**Advisers (continued)**

<b>Bankers</b>	Barclays Bank Plc 111 High Street Bedford MK40 1NJ
<b>Solicitors</b>	Stone King LLP Wellington House East Road Cambridge CB1 1BH
<b>Insurers - General Insurance</b>	Travelers Insurance Company Limited 61-63 London Road Redhill Surrey RH1 1NA
<b>Insurers - Personal Accident &amp; Business Travel</b>	Chubbs Insurance Company Limited 106 Fenchurch Street London EC3M 5NB

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**GOVERNORS' REPORT**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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The Governors (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Hills Academy (the Academy Trust) for the period ended 31 August 2013. The Governors confirm that the Annual Report and financial statements of the Academy Trust comply with the current statutory requirements, the requirements of the Academy Trust's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

**Structure, governance and management**

**a. CONSTITUTION**

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust. The Charitable Company was incorporated on 7 March 2013 and The Hills Lower School converted to an Academy on 1 April 2013.

All of the Governors act as the Trustees for the charitable activities of The Hills Academy and as Directors of the Charitable Company for the purposes of Company Law. The Charitable Company is known as The Hills Academy.

**b. 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.

**c. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS**

The Hills Academy Governors are appointed or elected in various ways depending on the type of post they are holding.

In addition to their overall role as Governors, The Hills Academy Governors are appointed or elected for the purpose of ensuring that the character of the Academy is preserved and developed. They are also appointed to ensure that the Academy's affairs are conducted in accordance with the Academy's governing documents as well as any trust deed relating to the Academy.

The various types of Governors of the Academy are

Parent Governors

The Articles of Association require that there shall be a minimum of two elected and no set maximum of Parent Governors. Parents, including carers of registered pupils at the Academy, are eligible to stand as individuals for election as a Parent Governor.

They are elected by other parents at the Academy as individuals who are representative of the parental body. Suitable procedures have been put in place for the conduct of Parent Governor elections.

If insufficient parents stand for election, the Governing Body must appoint Parent Governors to bring their number up to that required by the Articles of Association. Such appointed Parent Governors would preferentially be parents or carers of registered pupils at the Academy. If, however, no such parents are willing to undertake the role then the Governing Body can appoint any person who is the parent or carer of one or more school-age children.

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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Staff Governors

The Articles of Association state that the total number of Governors (including the Headteacher) who are employees of the Academy Trust shall not exceed one third of the total number of Governors

The Articles also state that the Academy should have a minimum of two Staff Governors who are elected by the Academy staff as individuals, representative of the staff of the Academy and to this end, comprising up to one representative of the teaching staff and one representative of the non-teaching (support staff)

At The Hills Academy, if no teacher stands for election a member(s) of the support staff can be elected to take these places

The Staff Governors shall be elected by staff members at the Academy and must be a staff member at the time when elected. If a Staff Governor ceases to be a staff member then they shall be deemed to have resigned and shall cease to be a Governor

The Governors shall make all necessary arrangements for, and determine all other matters relating to, an election of the Staff Governors, including any question of whether a person is a staff member. Any election of Staff Governors which is contested shall be held by secret ballot

Community Governors

The Governing Body Members may appoint up to 7 Governors, provided that the total number of Governors (including the Headteacher) who are employees of the Academy Trust shall not exceed one third of the total number of Governors

These member appointed Governors are known as Community Governors at The Hills

There is no minimum requirement of Governors in this category however, in order to maintain a good balance of Governors from across the different categories, the members will need to consider whether a minimum number should be stated as part of the development of our standing orders

These Governors can be people who live or work in the community served by the Academy or people who live outside of the immediate area and who are committed to the good governance and success of the Academy. They bring a range of experience and a diversity of different backgrounds which helps the Academy in its decision making

Vacancies for Community Governors will be advertised through various media across the school including verbal networking, school newsletter, text service and by posting the details on the Academy website

Anyone expressing an interest in becoming an Appointed Governor will be asked to provide appropriate curriculum vitae with a letter of application. Following an informal interview with the Chair and Headteacher, a recommendation will be made to the members and the whole application will be considered by them at the next available opportunity

Co-opted Governors

The Governors may appoint Co-opted Governors. There is no minimum or maximum number of this category of Governor that The Hills Academy can have

A 'Co-opted Governor' means a person who is appointed to be a Governor by being Co-opted by Governors who have not themselves been so appointed

The Governors may not co-opt an employee of the Academy Trust as a Co-opted Governor if thereby the number of Governors who are employees of the Academy Trust would exceed one third of the total number of Governors (including the Headteacher)

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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Overall, the governance structure at The Hills Academy is one which offers maximum flexibility within company and education law and which enables the Academy to elect and appoint Governors who can bring the right skills, knowledge, experience and expertise at the right time to help minimise the effects of any gaps in our working practices and structures

**d POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS**

Following their appointment/election, all new Governors receive an introduction to their role from the Chair and Headteacher, which includes tours of the Academy site and the opportunity to meet other members of staff. A key part of the induction process is also the pairing of new Governors with other Governors at their first meetings to support their knowledge and understanding of what is happening and why.

The Governing Body at The Hills Academy is committed to providing opportunities for Governors to undertake and receive suitable training so as to enable them to undertake their role more effectively.

To this end the Governing Board maintains a subscription to and has a service level agreement with Bedford Borough Council's Governor Services Department. These allow for any or all of the members of the Governing Body to attend any of the training courses provided by Bedford Borough Council.

All new Governors are actively encouraged to take advantage of this and as a minimum are expected to attend Governor Induction Training as soon as possible after joining the Governing Body so as to gain a better understanding of the role and responsibilities of being a School Governor. Additionally, Governors with specific roles within the Governing Board are strongly encouraged to undertake training relating to their role(s).

There is a nominated adviser to the Governing Body who acts as liaison between Bedford Borough Governor Services and the Governing Body.

**e. ORGANISATIONAL STRUCTURE**

At The Hills Academy the majority of the roles and responsibilities of the Governing Body have been delegated to a small number of committees. The full Governing Body has retained responsibility for certain aspects, again as defined in the Standing Orders.

Members of the Senior Leadership Team (SLT), in addition to the Headteacher, attend Governors' meetings, as advisers, as and when it is appropriate to do so.

The Governors are responsible for the strategic management of the Academy, deciding on and setting key aspects of the academy, including strategic direction, annual budgets, large scale spending, all staff appointments, policy changes, etc.

Operational management is the responsibility of the Headteacher and is supported by the Senior Leadership Team (SLT) and Middle Leaders.

Academy policies are developed by senior members of the Academy staff, to reflect both the strategic direction agreed by the Governors and also statutory requirements. These policies are approved and adopted by the Governing Body, and implemented as procedures and systems by the SLT and other designated members of staff.

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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The Senior Leadership Team are the Headteacher, Deputy Headteacher, Special Educational Needs Co-ordinator (SENCO), Assistant Headteacher responsible for Early Years, one other Assistant Headteacher and currently, two additional members of staff who have key operational roles within the school. These leaders control the Academy at an executive level implementing the policies laid down by the Governors and reporting back to them.

As a group, the Senior Leadership Team are responsible for the authorisation of spending within agreed budgets and the allocation and management of staff. The SLT are also responsible for ensuring that recruitment procedures are followed and all appointments include a Governor on the interview panel.

Some spending control is devolved to those members of staff who have responsibility for specific curriculum areas with agreed spending limits, all of which is set-out in the academy's Financial Handbook.

The Middle Leaders Team includes subject leaders. These leaders are responsible for the day to day operation of the academy, in particular organising the teaching staff, facilities and pupils.

In the accounting period concerned from 1 April 2013 until 31 August 2013 the

Full Governing Body has met three times (17 April 2013, 21 May 2013 & 9 July 2013),  
Resources Committee has met twice (30 April 2013 & 25 June 2013),  
Standards Committee has met twice (10 May 2013 & 9 July 2013),  
School Action & Strategy Committee has met twice (6 June 2013 & 17 July 2013)

**f. CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS**

The Academy is a school partner of the North East Bedfordshire Learning Trust (NEBLT).

The NEBLT is a company registered in England and Wales at Companies House (Registration Number 06920399), as a company Limited by Guarantee and is subject to regulation by the Charity Commission.

The Hills Academy may appoint one director to the Trust Board.

This organisation is a collaboration of schools in the Mark Rutherford School Pyramid in Bedford and in addition to The Hills Academy, has the following members:

Trust Schools

Newnham Middle School  
Castle Lower School  
Hazeldene Lower School

Other School Partners

Goldington Academy  
Goldington Green Academy  
Putnoe Primary School

Non-School Partners

Bedford College  
Bedford Locality (part of Bedfordshire Clinical Commissioning Group)  
The Harpur Trust - formerly known as The Bedford Charity (The Harpur Trust)  
University of Bedfordshire

The NEBLT's principal purpose is to support the continued success and progress of the schools in the trust in terms of academic achievement and an understanding that this can only be attained if the NEBLT also cater successfully for the emotional and physical needs of pupils, parents, staff and the local community.



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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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The Vision of the Trust is to develop and support "Personalising Learning" which means that it will

- work to create better independent learners who will have far greater choice and say over what they learn, how they learn and where and when they learn
- help encourage and motivate its learners to become active partners with the schools, parents and carers, in developing the ways in which they become independent learners
- encourage the development of stronger partnerships between all those that work together for the learner
- develop the organisation and curriculum, using all the available resources to best effect
- recognise that school staff, governors, parents and carers are all learners in the trust community, as well as the children

This will create a learning community with a shared ethos for children 4 -19 years, inspiring passion in the learning process and motivating each young person to achieve high standards and success and improve life chances for all learners and lead to lifelong learning

The Aims are

- To ensure high quality provision for all, with high standards of teaching, learning and assessment that is innovative, coherent, relevant and high in expectations, encourages creativity and leads to high levels of achievement
- To harness the energy, experience, skills, expertise and talents from all schools and external partners as a lever to raise standards
- To share responsibility for the all-round development of pupils of all abilities to identify and help them overcome barriers to learning
- To foster a safe, healthy, attractive and stimulating environment for learning and leisure to promote overall well-being for all pupils and adults

The Key Trust Objectives covering the period of this report are

- 1 To continue to develop and improve transition between Trust schools for all children
- 2 To raise standards of attainment for all pupils in the Trust
- 3 To ensure practices in the Trust schools are inclusive

As a result, the Trust, through its schools including The Hills Academy, will endeavour to support the unique needs of every learner, engage their interest, ensure their learning is relevant and maximise their life chances and attainment

**g. RISK MANAGEMENT**

As a recently converted academy The Hills Academy has been undertaking a comprehensive assessment of possible risks to the future of the Academy This has included the review and implementation of the following

Finance Handbook (Manual)  
Safeguarding Policy

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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At the first full Governing Body meeting after conversion, Governors unanimously agreed to adopt all the previous policies in force at the school as at 1 April 2013 and also agreed that each policy would be reviewed in line with the current policy timetable and amended to reflect the change in school name and status in particular as appropriate

The Governors continue to develop and review the major risks to which the Academy is exposed, in particular those relating to teaching and learning, provision of facilities and other operational areas of the Academy, and its finances

The Governors alongside the Academy staff have implemented a number of systems, processes and procedures to assess and control risks that the school faces, especially in the operational areas (e.g. in relation to teaching, safeguarding, health and safety, bullying, Educational Visits, Risk Assessments, management of medicine in schools) and in relation to the control of finance. Residual risk is reviewed periodically and governors ensure adequate insurance cover is in place for these areas

The Academy staff and Governors are working within these guidelines to ensure the risk associated with Academy Status is protected in line with Audit Compliance

#### **h GOVERNORS' INDEMNITIES**

In accordance with normal practice the Academy has purchased insurance to protect the Governors and officers of the Academy from claims arising from negligent acts, errors or omissions whilst on Academy business. The arrangements for this type of cover under the policy are as follows

- The cover under the policy is in the Professional Liability Section where the limit of indemnity is £2,000,000, being the total amount payable during any one period of insurance
- Included in this section is a note on 'Section Deductible' where it states that there is a limit of £1,000 each and every claim and in the aggregate

In the period under review no sums were paid out

#### **i. PRINCIPAL ACTIVITY**

The principal activity of The Hills Academy is to ensure the highest quality of primary education to all children in our locality. We are very proud of our school and its achievements over the years

We admit children from Nursery (aged 3) to Year 4 (aged 9). We are a medium-sized school with over 300 children on our current roll. Our intake is representative of a vibrant multi-cultural community. We are an 'inclusive' school admitting children from all backgrounds, faith and special needs

#### **Objectives and Activities**

##### **a. OBJECTS AND AIMS**

The principal object and activity of The Hills Academy is the operation of the Academy to provide education for pupils of all abilities, economic, social and cultural backgrounds between the ages of 3 and 9 years, drawn mostly from its catchment area and feeder schools, as defined by the Local Authority

The Governing Body is committed to the principle of maintaining the comprehensive character of the Academy and as such there are no specific aptitude requirements for prospective pupils

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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**b. OBJECTIVES, STRATEGIES AND ACTIVITIES**

The curriculum complies with the substance of the National Curriculum. The main objectives of the Academy during the year ended 31 August 2013 are summarised below.

Aims

All pupils have a right to a broad, balanced and relevant education which provides continuity and progression and takes individual differences into account. Work in school should be designed to meet the requirements of the National Curriculum.

The Academy should

- cater for the needs of individual pupils of both sexes from all ethnic and social groups, including the most able and those who are experiencing learning difficulties, facilitate pupil's acquisition of knowledge, skills and qualities which will help them to develop intellectually, emotionally, socially, physically, morally and aesthetically, so that they may become independent, responsible, useful, thinking, confident and considerate members of the community,
- create and maintain an exciting and stimulating learning environment,
- ensure that each pupil's education has continuity and progression,
- ensure that there is a match between the pupil and the tasks he/she is asked to perform,
- provide an appropriate curricular balance amongst the competing and sometimes conflicting aims of education,
- recognise the crucial role which parents play in their child's education and make every effort to encourage parental involvement in the educational process,
- treat pupils in a dignified way,
- provide opportunities for pupil's to develop themselves as creative thinkers, reflective learners, team workers, independent enquirers, effective participators and self-managers.

**c ACADEMY DEVELOPMENT PLAN & OBJECTIVES FOR THE ACADEMIC YEAR 2013/14**

Our three core priorities are

- 1 To move all teaching, taken over time to good, with more than 40% consistently outstanding (occasional lessons judged Required Improvement making up 40% or less of any individual teacher's graded teaching)

All teachers to have at least 60% of graded lessons to be judged good or better and at least 40% of teaching to be judged outstanding by July 2014

- 2 To increase phonics knowledge in all year groups

The aim is for the Year 1 Phonics check in 2014 to be above the National Expectation for 32+ points (taken against 2013 National Average). We also want to ensure that good-quality phonics teaching is consistent in Nursery, Reception and KS1 and that the targeted support used in KS2 for all pupils is below national expectations at Year 2.

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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- 3 All children in the school have a 'thirst for knowledge and a love of learning '

This should be evidenced in all groups, classes and year groups and the school is aiming to close the gap between the different groups, in particular, White British

The school wants to see groups led by Teaching Assistants similarly enthused

Children should be enthused by the new curriculum and it should be used well to increase progress

- 4 For results in mathematics to equal the results in reading across the school through improved deep analysis marking, focused mathematics intervention and increased teaching resourcing

**d. PUBLIC BENEFIT**

In setting the Academy's objectives and planning its activities, the Governing Body has given careful consideration to the Charity Commission's general guidance on public benefit

The Academy is a non-profit organisation that currently provides a free education for the benefit of children between 3 and 9 years age. When oversubscribed, admissions to the Academy are administered according to its published Admissions Criteria.

The key public benefit delivered by The Hills Academy is the maintenance and development of the high quality education to the children of the Putnoe and Goldington community areas within Bedford Borough and those pupils who enter the school from areas bordering this.

In doing this The Hills Academy not only offers a broadly-based academic education but aims to educate the whole individual.

A very wide-range of extra-curricular activities, educational trips and visits are offered and undertaken by our children. The school also partners with other organisations (such as Riverside Tennis Club) to ensure that pupils are signposted to community opportunities.

In particular, in respect of Internationalism Mindedness, the Academy has achieved the International Schools Award. This award recognises that we ensure the children engage in many enriching activities.

We have developed links with schools in the following countries – China, Sweden, Russia and Pakistan.

**Achievements and performance**

**a GOING CONCERN**

After making appropriate enquiries, the Governing Body has a reasonable expectation that The Hills Academy 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.

**b REVIEW OF ACTIVITIES**

The Academy has continued to have a full complement of pupils in all year groups throughout the period, with 330 pupils on roll at the end of the academic year (31 August 2013).

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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The Academy implements a rigorous programme of assessment, monitoring and reporting to ensure that standards are continually raised

In the Early Years pupils are baselined and continually assessed against their developmental levels. This is done through the use of an interactive learning Profile and the writing of observations and storage of evidence (including evidence from parents and carers). In Key Stage 1 and 2 APP (Assessing Pupils Progress) takes place for every child in Reading, Writing and Mathematics – this is assessed with evidence on a weekly basis. In Science pupils are assessed using APP in groups of learners. In foundation subjects the school is now making the transition from 'Teacher Assessment Tasks' to 'Skills Ladders' for assessing every pupil. Teachers are held accountable for the progress of their pupils through the termly Pupil Progress Agenda which is held with the Headteacher. Every child has their individual progress sheet which identifies any child who is not making the progress expected and ensures that action is taken as a result.

Targets are set at the end of the summer term for every child and then reviewed after the autumn half term. A formal submission of targets is made to the LA at the end of each November.

Monitoring takes place through lesson observations, peer observations, planning and work scrutiny, appraisal reviews, pupil discussions and learning walks, all of which involve professional feedback to staff.

Reporting to students and parents is on-going throughout the year, both informally e.g. in the marking of work and formally in Pupil Progress Summary Sheets, termly report cards to parents and consultation evenings (twice a year plus an informal evening) and in pupils' Annual Report.

**Attainment and Standards - The Hills Academy (formerly The Hills Lower School) data for 2011 - 2013:**

**Key Stage 1:**

<b>APS scores</b>	<b>2011</b>	<b>National 2011</b>	<b>2012</b>	<b>National 2012</b>	<b>2013</b>
<b>Reading</b>	<b>18.5</b>	15.8	<b>18.4</b>	16.0	<b>18.2</b>
<b>Writing</b>	<b>17.3</b>	14.4	<b>17.1</b>	14.7	<b>16.5</b>
<b>Mathematics</b>	<b>17.9</b>	15.7	<b>18.1</b>	15.9	<b>17.4</b>

**Key Stage 2**

<b>APS scores</b>	<b>2011</b>	<b>2012</b>	<b>National 2012</b>	<b>2013</b>
<b>Reading</b>	<b>25.0</b>	<b>24.3</b>	22.4	<b>24.8</b>
<b>Writing</b>	<b>23.0</b>	<b>23.4</b>	21.0	<b>23.8</b>
<b>Mathematics</b>	<b>24.4</b>	<b>24.4</b>	22.2	<b>24.9</b>

**Financial review**

**a. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Since converting to an Academy in April 2013, the Governors have worked actively to implement new financial and risk practices. A new business risk management process has been introduced, informed by the Academies Financial Handbook. Risks are being identified, categorised and considered and appropriate control measures implemented. This exercise is on-going.

Policies are routinely reviewed by senior staff and Governors. Operational systems and procedures are embedded throughout the school in order to minimise risk.

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**GOVERNORS' REPORT (continued)**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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The Academy has an effective system of internal control in The Risk and Control Framework section of the Governance Statement. Where significant financial risk remains, Governors have ensured they have adequate insurance cover.

**b. PRINCIPAL RISKS AND UNCERTAINTIES**

The objective of the Academy's risk management procedure is to identify the principal risks facing the Academy so that existing controls may be considered and further action taken if required, including external insurance.

The principal risks identified by the Governing Body include governance, statutory compliance, finance, insurance, attendance, behaviour, health and safety, organisation, operation, safeguarding, reputation, HR and ICT.

The Governing Body has a comprehensive risk management process to identify and monitor the risks faced by the Academy.

**c. RESERVES POLICY**

General

The Governors review the reserve levels of the Academy, regularly. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The Governors will keep the level of free reserves under review to ensure sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Academy's current level of free reserves (total funds less the amount held in fixed assets, restricted funds and pension fund) is £87,937. The Academy intends to continue building-up free reserves.

At 31 August 2013, the total net assets of The Hills Academy were £2,338,797. The funds comprised Unrestricted funds of £87,937, restricted fixed asset fund of £2,424,405, GAG restricted fund of £2,506, other restricted funds of £16,949, and a pension reserve deficit of £193,000.

Pensions

The deficit on the pension reserve relates to the non-teaching staff pension scheme (Local Government Pension Scheme) where, unlike the Teachers' Pension Scheme, the deficit can be met in the longer term from any combination of increased employer or employee contributions, increased government funding or changes to scheme benefits.

**d. REVIEW OF PERIOD**

Most of the School's income is obtained from the Education Funding Agency (EFA) in the form of the General Annual Grant (GAG), the use of which is restricted for education purposes. The grants received from the EFA and other government bodies during the period and the associated expenditure are shown as restricted funds in the statement of financial activities.

The total income for the period was £3,087,271. This includes a transfer of balances from the Local Authority of £2,531,917.

The excess of income over expenditure for the period, excluding the fixed assets fund and the pension fund deficit was £107,392.

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**GOVERNORS' REPORT (continued)**  
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**e. INVESTMENTS POLICY**

The Academy currently has no investments, except for deposits in interest bearing accounts

**Plans for the future**

**a. FUTURE DEVELOPMENTS**

Our aspirations are to develop and maintain the Academy site depending on EFA capital bids and in the medium to long term to become a full primary school

**FUNDS HELD AS CUSTODIAN**

During the period to 31 August 2013, The Hills Academy did not hold any funds as a custodian trustee on behalf of any charitable organisation

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are Governors at the time when this Governors' Report is approved has confirmed that

- so far as that Governor is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Governor has taken all the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information

**AUDITORS**

The auditors, MHA MacIntyre Hudson, have indicated their willingness to continue in office. The Designated Governors will propose a motion re-appointing the auditors at a meeting of the Governors

This report was approved by order of the Governing Body on ~~3.12.13~~ and signed on its behalf by

  
.....  
**Christopher Jones**  
**Chair of Governors**

---

**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

---

**GOVERNANCE STATEMENT**

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**SCOPE OF RESPONSIBILITY**

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

The Governing Body has delegated the day-to-day responsibility to the 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 The Hills Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

**GOVERNANCE**

The information on governance included here supplements that described in the Governors' Report and in the Governors' Responsibilities Statement. The Governing Body has formally met 3 times during the period. Attendance during the period at meetings of the Governing Body was as follows:

Governor	Meetings attended	Out of a possible
Mr Christopher Jones, Chair	3	3
Mr David Burgess, Vice-Chair	2	3
Mrs Moya Whitehead, Headteacher	3	3
Mr Edward Kirk	3	3
Mrs Tracey Foster	2	3
Mrs Sarah Holme	3	3
Mr Richard Watson	3	3
Dr Kirsten Hill	0	1
Mrs Charlotte Cornwall (nee Robertson)	3	3
Mr Alexander Daye	2	3
Mr Charlie Palmer	3	3
Mr Richard Wightman	2	3

The meetings of the Governing Body were also attended by Mrs V Thomson, Deputy Headteacher, and Mrs S Dickson, School Business Manager, as advisers to the Governing Body.

Other than the standard change in some Governor categories as part of conversion to Academy status, there have been no significant changes to the composition of the Governing Body.

The challenges for the board remain as they were pre-conversion and that is to ensure that all Governors feel able to and do make an effective contribution to the work of the Governing Body and to continue to look to develop the skills and knowledge base of the team through on-going training and development for the existing members and recruitment of new Governors with the appropriate skills to complement and add to those that are already evident through the work that is done.



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**THE HILLS ACADEMY**  
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**GOVERNANCE STATEMENT (continued)**

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The **Resources Committee** is a sub-committee of the main Governing Body. The structure of this committee changed on conversion to Academy, replacing the previous Business Management Sub-Committee which covered Finance, Premises and Health and Safety. The new committee now has responsibility for the three aforementioned aspects and Personnel (HR).

Attendance at meetings in the period was as follows:

Governor	Meetings attended	Out of a possible
Mr Richard Watson (Chair)	1	1
Mrs Moya Whitehead, Headteacher	1	1
Mr David Burgess	1	1
Mr Richard Wightman	1	1
Mrs Tracey Foster	0	1
Mr Alexander Daye	1	1

Meetings of the Resources Committee were also attended by Mrs S Dickson, School Business Manager, and Mrs S Pibworth, Bursar, as advisers to the committee.

**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 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 The Hills Academy for the period 7 March 2013 to 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 ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the period 7 March 2013 to 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 Resources 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.

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**GOVERNANCE STATEMENT (continued)**

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Capital projects and major purchase plans are also fully considered by the School Action and Strategy Committee which is comprised of the Chair, Vice-Chair, Chairs of the Sub-Committees and the Headteacher and / or Deputy Headteacher

The Governing Body has considered the need for a specific internal audit function and has decided to appoint Mr Paul Bowker from Bowker Glasspool Consult as internal auditor

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a quarterly basis, the internal auditor reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities

Mr Paul Bowker has visited the school twice and reported on his planned role. He has initiated the writing of processes of operation within the school office with emphasis on the job descriptions of the School Business Manager and the Bursar. This is to address any staff absences and continuation of tasks if the need arises


**REVIEW OF EFFECTIVENESS**

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

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

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

Approved by order of the members of the Governing Body on 3-12-13 and signed on their behalf, by

  
.....  
**Christopher Jones**  
**Chair of Governors**

  
.....  
**Moya Whitehead**  
**Accounting Officer**

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of The Hills Academy I have considered my responsibility to notify the Academy Trust Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012)

I confirm that I and the Academy Trust Governing Body are able to identify any material, irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook (2012)

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



**Moya Whitehead**  
**Accounting Officer**

Date

**8-12-13**

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**GOVERNORS' RESPONSIBILITIES STATEMENT**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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The Governors (who act as Trustees of The Hills Academy and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Annual Accounts Direction 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 Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Governors are required to

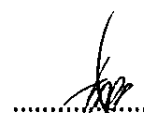
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles of the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

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

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

  
.....  
**Christopher Jones**  
**Chair of Governors**

**Date: 3.12.13**

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HILLS ACADEMY**

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We have audited the financial statements of The Hills Academy for the period ended 31 August 2013 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 Academies Accounts Direction 2013 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 Auditors' 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 opinion we have formed.

**RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS**

As explained more fully in the Governors' Responsibilities Statement, the Governors (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 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 Governors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements 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 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the period 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 issued by the Education Funding Agency.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

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**THE HILLS ACADEMY**  
(A Company Limited by Guarantee)

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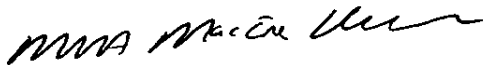
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HILLS ACADEMY**

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**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 Governors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Atul Kariya FCCA (Senior Statutory Auditor)  
for and on behalf of  
**MHA Macintyre Hudson**  
Chartered Accountants  
Statutory Auditors  
Equipoise House  
Grove Place  
Bedford  
MK40 3LE

Date *16 December 2013*

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE HILLS ACADEMY AND THE EDUCATION FUNDING AGENCY**

---

In accordance with the terms of our engagement letter dated 19 August 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Hills Academy during the period 7 March 2013 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to The Hills Academy and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Hills Academy and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Hills Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF THE HILLS ACADEMY'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT**

The accounting officer is responsible, under the requirements of The Hills Academy's funding agreement with the Secretary of State for Education dated April 2013, and the Academies Financial Handbook extant from 1 September 2012, 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. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 7 March 2013 to 31 August 2013 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 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy Trust's income and expenditure.

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE HILLS ACADEMY AND THE EDUCATION FUNDING AGENCY (continued)**

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The work undertaken to draw to our conclusion includes

- reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us, relevant to our consideration of regularity
- a review of the objectives and activities of the Academy, with reference to the income streams and other information available to us as auditors of the Academy
- testing of a sample of payroll payments to staff
- testing of a sample of payments to suppliers and other third parties
- testing of a sample of grants received and other income streams
- evaluating the internal control procedures and reporting lines, testing as appropriate and making appropriate enquiries of the Accounting Officer

**CONCLUSION**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 7 March 2013 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them



**MHA MacIntyre Hudson**  
Chartered Accountants

Equipoise House  
Grove Place  
Bedford  
MK40 3LE

Date *18 December 2017*



**THE HILLS ACADEMY**  
(A Company Limited by Guarantee)

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

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
Voluntary income	2	84,815	9,949	2,440,110	2,534,874
Activities for generating funds	3	14,967	-	-	14,967
Incoming resources from charitable activities	4	-	534,275	3,155	537,430
<b>TOTAL INCOMING RESOURCES</b>		<b>99,782</b>	<b>544,224</b>	<b>2,443,265</b>	<b>3,087,271</b>
<b>RESOURCES EXPENDED</b>					
Charitable activities	6	2,000	511,125	18,860	531,985
Governance costs	7	-	17,644	-	17,644
Other resources expended	8	9,845	-	-	9,845
Pension scheme liability transferred on conversion		-	196,000	-	196,000
<b>TOTAL RESOURCES EXPENDED</b>	5	<b>11,845</b>	<b>724,769</b>	<b>18,860</b>	<b>755,474</b>
<b>NET INCOME FOR THE YEAR</b>		<b>87,937</b>	<b>(180,545)</b>	<b>2,424,405</b>	<b>2,331,797</b>
Actuarial gains and losses on defined benefit pension schemes		-	7,000	-	7,000
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>87,937</b>	<b>(173,545)</b>	<b>2,424,405</b>	<b>2,338,797</b>
Total funds at 7 March 2013		-	-	-	-
<b>TOTAL FUNDS AT 31 AUGUST 2013</b>		<b>87,937</b>	<b>(173,545)</b>	<b>2,424,405</b>	<b>2,338,797</b>

All of the Academy Trust's activities derive from acquisitions in the current financial period

The Statement of Financial Activities includes all gains and losses recognised in the period

The notes on pages 26 to 46 form part of these financial statements

**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 08434199**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2013**

	Note	£	2013 £
<b>FIXED ASSETS</b>			
Tangible assets	13		2,410,417
<b>CURRENT ASSETS</b>			
Debtors	14	47,052	
Cash at bank and in hand		158,687	
		<u>205,739</u>	
<b>CREDITORS. amounts falling due within one year</b>	15	(84,359)	
<b>NET CURRENT ASSETS</b>			<u>121,380</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,531,797</u>
Defined benefit pension scheme liability	22		(193,000)
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>2,338,797</u></u>
<b>FUNDS OF THE ACADEMY</b>			
Restricted funds			
Restricted funds	16	19,455	
Restricted fixed asset funds	16	2,424,405	
		<u>2,443,860</u>	
Restricted funds excluding pension liability			
Pension reserve		(193,000)	
		<u></u>	
Total restricted funds			2,250,860
Unrestricted funds	16		87,937
<b>TOTAL FUNDS</b>			<u><u>2,338,797</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 3-12-13 and are signed on their behalf, by

.....  
  
**Christopher Jones**  
**Chair of Governors**

The notes on pages 26 to 46 form part of these financial statements

---

**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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	<b>Note</b>	<b>5 months ended 31 August 2013 £</b>
Net cash flow from operating activities	19	60,571
Capital expenditure and financial investment		(4,277)
Cash transferred on conversion to an academy trust	18	102,393
<b>INCREASE IN CASH IN THE PERIOD</b>		<b>158,687</b>

All of the cash flows are derived from acquisitions in the current financial period

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

---

	<b>5 months ended 31 August 2013 £</b>
Increase in cash in the period	158,687
<b>MOVEMENT IN NET FUNDS IN THE PERIOD</b>	<b>158,687</b>
<b>NET FUNDS AT 31 AUGUST 2013</b>	<b>158,687</b>

The notes on pages 26 to 46 form part of these financial statements

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**THE HILLS ACADEMY**  
(A Company Limited by Guarantee)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2013**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with the United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

**1.2 Going concern**

The Governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

**1.3 Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability. For legacies, entitlement is the earlier of the Academy Trust being notified of an impending distribution or the legacy being received.

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

***Donated Services and Gifts in Kind***

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

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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**1 ACCOUNTING POLICIES (continued)**

**1.4 Resources expended**

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

***Charitable activities***

These are costs incurred in the Academy Trust's educational operations.

***Governance costs***

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

All resources expended are inclusive of irrecoverable VAT.

**1.5 Tangible fixed assets and depreciation**

All assets costing more than £1,000 are capitalised.

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 are 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.

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.

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property - buildings	-	2.5% per annum on a straight line basis
Freehold property - land	-	Not depreciated
Computer equipment	-	33.3% per annum on a straight line basis

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**THE HILLS ACADEMY**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 AUGUST 2013**

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**1. ACCOUNTING POLICIES (continued)**

**1.6 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.

**1.7 Pensions**

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 and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 22, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the 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 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.

**1.8 Fund accounting**

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

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

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

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**1. ACCOUNTING POLICIES (continued)**

**1.9 Conversion to an Academy Trust**

The conversion from a state maintained school to an academy trust 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

The assets and liabilities transferred on conversion from The Hills Lower School to an academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for The Hills Academy. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 18.

Land and buildings inherited on conversion have been independently valued on a depreciated replacement cost basis.

**2 VOLUNTARY INCOME**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Donations	-	2,957	2,957
Transfer from Local Authority on conversion	84,815	2,447,102	2,531,917
	<u>84,815</u>	<u>2,450,059</u>	<u>2,534,874</u>
Voluntary income	<u>84,815</u>	<u>2,450,059</u>	<u>2,534,874</u>

**3. ACTIVITIES FOR GENERATING FUNDS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Hire of facilities	1,506	-	1,506
School shop	986	-	986
PrimeTime - after school club	12,475	-	12,475
	<u>14,967</u>	<u>-</u>	<u>14,967</u>

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**4 FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
<b>DfE/EFA grants</b>			
General Annual Grant (GAG)	-	433,055	433,055
Pupil Premium	-	11,925	11,925
Capital grants (Restricted Fixed Asset Fund)	-	3,155	3,155
Start-up grants	-	25,000	25,000
Other EFA / DfE grants	-	10,095	10,095
	-	483,230	483,230
<b>Other government grants</b>			
Local Authority grants	-	40,020	40,020
	-	40,020	40,020
<b>Other funding</b>			
Other income	-	14,180	14,180
	-	14,180	14,180
	-	537,430	537,430

**5 ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE**

	Staff costs 2013 £	Depreciation 2013 £	Other costs 2013 £	Total 2013 £
Direct costs - Educational operations	337,791	-	29,538	367,329
Support costs - Educational operations	76,784	18,860	69,012	164,656
<b>Charitable activities</b>	<b>414,575</b>	<b>18,860</b>	<b>98,550</b>	<b>531,985</b>
<b>Governance</b>	<b>-</b>	<b>-</b>	<b>17,644</b>	<b>17,644</b>
<b>Other resources expended (Note 8)</b>	<b>8,254</b>	<b>-</b>	<b>197,591</b>	<b>205,845</b>
	<b>422,829</b>	<b>18,860</b>	<b>313,785</b>	<b>755,474</b>



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

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
<b>DIRECT COSTS</b>			
Wages and salaries	-	278,708	278,708
National insurance	-	17,013	17,013
Pension cost	-	42,070	42,070
Agency supply costs	-	2,456	2,456
Educational Supplies	2,000	17,286	19,286
Staff Development	-	4,858	4,858
Technology costs	-	868	868
Travel and subsistence	-	1,100	1,100
Other direct costs	-	162	162
Insurance	-	808	808
	<u>2,000</u>	<u>365,329</u>	<u>367,329</u>
<b>SUPPORT COSTS</b>			
Wages and salaries	-	62,523	62,523
National insurance	-	2,468	2,468
Pension cost	-	11,793	11,793
Depreciation	-	18,860	18,860
FRS 17 net finance cost	-	3,000	3,000
Staff Development	-	1,522	1,522
Technology costs	-	145	145
Bought in professional services	-	21,465	21,465
Maintenance of premises and equipment	-	12,540	12,540
Operating lease rentals	-	483	483
Rent, rates & water	-	3,448	3,448
Energy	-	6,873	6,873
Insurance	-	5,577	5,577
Catering	-	8,268	8,268
Other occupancy costs	-	2,181	2,181
Other support costs	-	3,510	3,510
	<u>-</u>	<u>164,656</u>	<u>164,656</u>
	<u>2,000</u>	<u>529,985</u>	<u>531,985</u>

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**7. GOVERNANCE COSTS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Auditors' remuneration	-	6,000	6,000
Auditor's non audit costs	-	3,160	3,160
Legal and professional	-	8,479	8,479
Other governance costs	-	5	5
	<u>-</u>	<u>17,644</u>	<u>17,644</u>

**8 OTHER RESOURCES EXPENDED**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £
Pension scheme liability transferred on conversion	-	196,000	196,000
PrimeTime - after school club costs	1,591	-	1,591
PrimeTime - wages and salaries	6,973	-	6,973
PrimeTime - NI	33	-	33
PrimeTime - pension costs	1,248	-	1,248
	<u>9,845</u>	<u>196,000</u>	<u>205,845</u>

**9. NET INCOMING RESOURCES / (RESOURCES EXPENDED)**

This is stated after charging

	5 months ended 31 August 2013 £
Depreciation of tangible fixed assets - owned by the charity	18,860
Auditors' remuneration	<u>6,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**10 STAFF COSTS**

Staff costs were as follows

	5 months ended 31 August 2013 £
Wages and salaries	348,204
Social security costs	19,513
Other pension costs (Note 22)	55,111
	<hr/>
	422,828
Supply teacher costs	2,456
	<hr/>
	425,284
	<hr/>

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

	5 months ended 31 August 2013 No.
Teachers	8
Administration and support	17
Management	6
	<hr/>
	31
	<hr/>

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

	5 months ended 31 August 2013 No.
In the band £60,001 - £70,000	1
	<hr/>

The above bandings state employee remuneration before the employer's pension contributions and show an annualised equivalent of the pay during the period

The above employee participated in the Teachers' Pension Scheme. During the 5 months ended 31 August 2013, pension contributions for this employee amounted to £3,616

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**11. GOVERNORS' REMUNERATION AND EXPENSES**

The Headteacher and other staff Governors only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff, and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the Academy Trust in respect of their role as Governors. The value of Governors' remuneration during the 5 months ended 31 August 2013 (including employer's pension contributions) fell within the following bands

	5 months ended 31 August 2013 £
Mrs M Whitehead (Headteacher)	30,000-35,000
Staff Governor 1	15,000-20,000
Staff Governor 2	10,000-15,000

During the period, no Governors received any reimbursement of expenses

**12. GOVERNORS' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2013 was £208

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

**13. TANGIBLE FIXED ASSETS**

	Freehold property £	Computer equipment £	Total £
<b>Cost</b>			
Additions	-	1,109	1,109
Transfer on conversion	2,425,000	3,168	2,428,168
At 31 August 2013	2,425,000	4,277	2,429,277
<b>Depreciation</b>			
Charge for the period	18,385	475	18,860
At 31 August 2013	18,385	475	18,860
<b>Net book value</b>			
At 31 August 2013	2,406,615	3,802	2,410,417

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. TANGIBLE FIXED ASSETS (continued)**

Included in land and buildings is freehold land at valuation at conversion to Academy status of £660,000 which is not depreciated

**14 DEBTORS**

	2013 £
VAT repayable	1,686
Other debtors	401
Prepayments and accrued income	44,965
	<hr/> 47,052 <hr/>

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

	2013 £
Trade creditors	58,310
Accruals and deferred income	26,049
	<hr/> 84,359 <hr/>

**Deferred income**

Resources deferred during the year	£ 16,461
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At the balance sheet date the Academy was holding funds received in advance for the following purposes Insurance funding of £7,883, Devolved Capital Funding of £4,417 and monies received for future trips totalling £4,161

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**NOTES TO THE FINANCIAL STATEMENTS  
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**16. STATEMENT OF FUNDS**

	Brought Forward £	Incoming resources £	Resources Expended £	Gains/ (Losses) £	Carried Forward £
<b>Unrestricted funds</b>					
Unrestricted funds	-	99,782	(11,845)	-	87,937
<b>Restricted funds</b>					
General Annual Grant (GAG)	-	433,054	(430,548)	-	2,506
Other restricted funds	-	111,170	(94,221)	-	16,949
Pension reserve	-	-	(200,000)	7,000	(193,000)
	-	544,224	(724,769)	7,000	(173,545)
<b>Restricted fixed asset funds</b>					
Capital income and grants	-	2,443,265	(18,860)	-	2,424,405
Total restricted funds	-	2,987,489	(743,629)	7,000	2,250,860
Total of funds	-	3,087,271	(755,474)	7,000	2,338,797

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

The other restricted funds relate to various school and educational activities which are not funded by the General Annual Grant. This includes pupil premium, EYFS funding and other local authority income for which income received is used to cover costs associated with these activities

The defined benefit pension scheme relates to the pension deficit arising on the LGPS pension scheme. An amount of £196,000 was transferred to the Academy in respect of the deficit on this pension scheme at the date of conversion to an Academy

The transfer between the restricted General Annual Grant fund and restricted fixed asset funds represents amounts capitalised during the period

The restricted fixed asset fund was funded predominantly by the funds inherited on conversion from the Bedford Borough local authority following the transfer of the land and buildings

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £
Tangible fixed assets	-	-	2,410,417	2,410,417
Current assets	87,937	99,398	18,405	205,740
Creditors due within one year	-	(79,943)	(4,417)	(84,360)
Provisions for liabilities and charges	-	(193,000)	-	(193,000)
	<u>87,937</u>	<u>(173,545)</u>	<u>2,424,405</u>	<u>2,338,797</u>

**18. CONVERSION TO AN ACADEMY TRUST**

On 1 April 2013 The Hills Lower School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Hills Academy from Bedford Borough Local Authority for £NIL consideration

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income. The transfer of the pension deficit at the date of conversion has been transferred and recognised on the Statement of Financial Activities as other resources expended.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
- Freehold/leasehold land and buildings	-	-	2,425,000	2,425,000
- Other tangible fixed assets	-	-	3,168	3,168
Budget surplus/(deficit) on LA funds	53,695	5,636	11,942	71,273
LGPS pension surplus/(deficit)	-	(196,000)	-	(196,000)
Other identified assets and liabilities	31,120	1,356	-	32,476
Net assets/(liabilities)	<u>84,815</u>	<u>(189,008)</u>	<u>2,440,110</u>	<u>2,335,917</u>

The above net assets include £102,393 that were transferred as cash

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**NOTES TO THE FINANCIAL STATEMENTS  
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**19. NET CASH FLOW FROM OPERATING ACTIVITIES**

	5 months ended 31 August 2013 £
Net incoming resources before transfers	2,331,797
Depreciation of tangible fixed assets	18,860
Increase in debtors	(47,052)
Increase in creditors	84,359
Cash received on conversion	(102,393)
Fixed assets transferred from Local Authority on conversion	(2,425,000)
Pension liability transferred on conversion	196,000
FRS 17 pension cost less contributions payable	1,000
FRS 17 pension finance cost	3,000
<b>Net cash inflow from operations</b>	<b>60,571</b>

	5 months ended 31 August 2013 £
<b>Capital expenditure and financial investment</b>	
Purchase of tangible fixed assets	(4,277)

**20. ANALYSIS OF CHANGES IN NET FUNDS**

	7 March 2013 £	Cash flow £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand	-	158,687	-	158,687
<b>Net funds</b>	<b>-</b>	<b>158,687</b>	<b>-</b>	<b>158,687</b>

**21. MEMBERS' LIABILITY**

The Academy is a company limited by guarantee and does not have share capital

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



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS**

The Academy Trust's employees belong to two principal pension schemes the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedford Borough 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 related to the period ended 31 March 2004 and of the LGPS 31 March 2010

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

**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' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases) From 1 April 2001, the Account has been credited with a real rate of return, 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

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004 The Government

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**22. PENSION COMMITMENTS (continued)**

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, 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. 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 Trust is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Academy Trust 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 Trust has set out above the information available on the scheme.

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS (continued)**

The total contribution made for the period ended 31 August 2013 was £32,000, of which employer's contributions totalled £26,000 and employees' contributions totalled £6,000. The agreed contribution rates for future years are 23.9% for employers and between 5.5% and 7.5% for employees.

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 18 July 2013.

As described in note 18 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 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS (continued)**

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

	<b>Expected return at 31 August 2013 %</b>	<b>Fair value at 31 August 2013 £</b>
Equities	6.60	215,000
Bonds	4.00	59,000
Property	4.70	25,000
Cash	3.60	9,000
Total market value of assets		<u>308,000</u>
Present value of scheme liabilities		<u>(501,000)</u>
(Deficit)/surplus in the scheme		<u><u>(193,000)</u></u>

The expected rate of return is based on the long-term future expected investment return for each asset class at the beginning of the period

The amounts recognised in the balance sheet are as follows

	<b>5 months ended 31 August 2013 £</b>
Present value of funded obligations	(501,000)
Fair value of scheme assets	<u>308,000</u>
Net liability	<u><u>(193,000)</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS (continued)**

The amounts recognised in the Statement of Financial Activities are as follows

	5 months ended 31 August 2013 £
Interest on obligation	(9,000)
Expected return on scheme assets	6,000
Current service cost (net of contributions)	(1,000)
	<hr/>
Total	(4,000)
	<hr/>
Actual return on scheme assets	3,000
	<hr/>

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

	5 months ended 31 August 2013 £
Opening defined benefit obligation	470,000
Interest cost	9,000
Contributions by scheme participants	6,000
Actuarial Gains	(11,000)
Current service cost	27,000
	<hr/>
Closing defined benefit obligation	501,000
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS (continued)**

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

	<b>5 months ended 31 August 2013 £</b>
Opening fair value of scheme assets	274,000
Expected return on assets	6,000
Actuarial gains and (losses)	(4,000)
Contributions by employer	26,000
Contributions by employees	6,000
	<hr/> <b>308,000</b> <hr/>

The cumulative amount of actuarial gains recognised in the Statement of Total Recognised Gains and Losses was £7,000

The Academy Trust expects to contribute £63,000 to its Defined Benefit Pension Scheme in 2014

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	<b>2013</b>
Discount rate for scheme liabilities	4.60 %
Expected return on scheme assets at 31 August	5.90 %
Rate of increase in salaries	5.10 %
Rate of increase for pensions in payment / inflation	2.80 %

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

	<b>2013</b>
Retiring today	
Males	21.6
Females	23.2
Retiring in 20 years	
Males	23.6
Females	25.6

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**22. PENSION COMMITMENTS (continued)**

Amounts for the current period are as follows

Defined benefit pension schemes

	2013 £
Defined benefit obligation	(501,000)
Scheme assets	308,000
Deficit	<u>(193,000)</u>
Experience adjustments on scheme liabilities	11,000
Experience adjustments on scheme assets	<u>(4,000)</u>

**Sensitivity analysis**

	2013
Adjustment to discount rate	-0.5%
Present value of total obligation	£63,000
Adjustment to mortality age rating assumption	+1 year
Present value of total obligation	£15,000

**23. OPERATING LEASE COMMITMENTS**

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

	2013 £
<b>Expiry date:</b>	
Between 2 and 5 years	<u>1,594</u>

All commitments above relate to assets other than land and buildings

**24. RELATED PARTY TRANSACTIONS**

Owing to the nature of the Academy Trust's operations and the composition of the Governing Body being drawn from local public and private sector organisations, transactions may take place with organisations in which a Governor has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

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**25. OTHER FINANCE INCOME**

	5 months ended 31 August 2013 £
Expected return on pension scheme assets	6,000
Interest on pension scheme liabilities	(9,000)
	<u>(3,000)</u>