

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

**GOVERNORS' REPORT AND AUDITED ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

TUESDAY



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# THE UCL ACADEMY

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# THE UCL ACADEMY

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Governors (Trustees)

Professor Geoffrey Price (Chairman)  
Ms Clare Goudy \*  
Dr Lucinda Green  
Ms Avril Rogers (Resigned October 2013) \*  
Professor Norah Frederickson  
Ms Geraldine Davies (Principal and Accounting Officer) \*  
Ms Jessica Learmond-Criqui \*  
Mr Saul Schneider \*  
Mr Lancelot Comrie \*  
Ms Kay Bedford (Resigned April 2014)  
Ms Alison Kelly (Appointed September 2013) \*  
Ms Deborah Thomas (Appointed February 2014)  
Mr Ewan Labrom (Appointed June 2014) \*  
Dr Colin Ankerson (Staff) (Appointed February 2014)

\* Members of the finance and general purposes committee

### Senior management team

Principal	Ms Geraldine Davies
Vice principal	Mr Robin Street
Vice principal	Mr Simon McBride
Assistant principal	Mr Thomas Bowen
Assistant principal	Mr Robert Gratton
Assistant principal	Ms Alice Lucas
Assistant principal	Mr Diarmuid Molloy (Appointed April 2014)
Bursar	Mr Steve Avis

### Company Secretary

Eversecretary Limited

### Registered Office

Adelaide Road  
London NW3 3AQ

### Company registration number

07024902

### Principal address

Adelaide Road  
London NW3 3AQ

### Independent Auditor

Pawley & Malyon  
14 Austin Friars  
London EC2N 2HE

# THE UCL ACADEMY

## GOVERNORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2014

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The governors present their report together with the accounts and independent auditor's reports of the charitable company for the period 1 September 2013 to 31 August 2014. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

### **Structure, governance and management**

#### 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 governors are the trustees of The UCL Academy and are also the directors of the charitable company for the purposes of company law. The charitable company is known as The UCL Academy. Details of the governors who served during the year are included in the Reference and Administrative Details on page 1.

#### Members' Liability

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

#### Governors' Indemnities

Insurances have been arranged with Zurich Municipal which indemnify governors against all costs, charges, expenses, liabilities, losses or damage which may be suffered or incurred during the execution of their duties as a member of the Board of Governors. The maximum amount of the indemnity is £2 million.

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

Members of the trust (the governors) are nominated by University College London (UCL), the sponsor of the academy, or by the Secretary of State for Education. The Articles of Association require the members of the trust to appoint at least three governors to be responsible for the affairs of the trust and the management of the trust. The governors are the directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation.

#### Policies and Procedures Adopted for the Induction and Training of Governors

The training and induction provided for new governors will depend on their experience. Where necessary an induction will provide training on charity and educational legal and financial matters. All new governors are given a tour of the academy and the opportunity to meet with staff and students. All governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees and directors of the charitable company. As there is expected to be a small number of new governors each year, induction tends to be carried out informally and is tailored to the needs of the individual concerned.

#### Organisational Structure

The academy trust was incorporated in September 2009.

# THE UCL ACADEMY

## GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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The governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy by the use of budgets and making major decisions about the direction of the academy, capital expenditure and senior staff appointments. Responsibility for day-to-day decisions is delegated to the principal of the academy. The principal is also the accounting officer

### Connected Organisations, including Related Parties

University College London (UCL) is sponsor to the academy. Representatives of the senior management of the sponsor are actively involved in supporting the development of the UCL Academy. However, the sponsor is not required to make a financial contribution to the academy. During the year UCL made a donation of £20,000 to the academy, and UCL student clubs and societies paid a total of £4,222 for the use of academy facilities.

### **Objectives and activities**

#### Objects and Aims

The academy's primary object is to advance education in the United Kingdom for the public benefit, in particular by establishing, maintaining, carrying on, managing and developing an 11-18 mixed comprehensive school offering a broad curriculum with a strong emphasis on mathematics and science.

#### Objectives, Strategies and Activities

Building on the first year of operations, the academy's strategic plan in 2013-14 focused on embedding excellent practise in six key areas:

- **Teaching and Learning**, including the embedding of a performance management process for pay progression for staff, and the implementation of an academy learning session observation cycle to ensure that the needs of learners are met.
- **Curriculum and Standards**, including the establishment of a rigorous student progress tracking and monitoring system and the implementation of a plan to support students with the transition from AS level to A2 level
- **Supporting the Learner**, including further improvements to systems and processes which provide support to vulnerable students to enable them and all students to succeed
- **Community development**, including establishing links with likeminded schools, networks and organisations nationally and internationally, and further developing the role of the academy's community liaison group
- **Building links with UCL**, including establishing a monthly keynote lecture series and introducing a UCL student mentor programme for Level 1 (Year 8) and A-level students
- **Developing Leadership and Management and Infrastructure** to ensure the consistent delivery of the highest standards of leadership and management in all aspects of academy work

# THE UCL ACADEMY

## GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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### Public Benefit

The governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their power and duties.

### **Achievements and performance**

#### Key performance indicators

During the year the academy trust welcomed 250 new students to the academy in Foundation Level (Year 7) and Level 3 (Year 12). Entry into Foundation Level in September 2013 continued to be oversubscribed with 1,054 applications received for 180 places.

The first A-level examinations were sat by Level 3+ (Year 13) students in the summer and an analysis of the results is included below. Students in Foundation Level and Level 1 (Year 8) continued to make good progress and a summary of their performance is included below. As the Academy does not yet have a Year 11 cohort, no GCSE examinations were sat during the year.

The Academy received its first inspection from Ofsted in May 2014 and whilst a number of strengths were identified, including the behaviour and safeguarding of students, the Academy was judged to require improvement. Subsequently an independent review of Pupil Premium and Governance was undertaken. Ofsted returned for a monitoring visit on 1 October 2014 and reported on 15 October 2014 that substantial improvement had been made in all areas, and congratulated the Academy on the excellent progress made since the May inspection.

#### AS and A Level results

A level results show student attainment in line with national averages, and students making better than average progress since their GCSE results. 80% of A level students achieved A\* to C grades, higher than the national average. Best students achievement was in maths and the sciences, with 94% getting A\* to C grades in maths and more than 80% achieving these grades in biology and chemistry. Results at AS level are in line with national averages for grades A to C (61%) and above the national average for grades A-E (91%). This shows a rapid improvement in the attainment and achievement of students compared with the prior year.

Overall the A Level Performance System (ALPS) national benchmarks, which consider student performance against targets derived from prior attainment, place The UCL Academy in the top 25% of institutions across the country.

#### Foundation and Level 1 progress

Students in these year groups did not sit public examinations during the year and progress and attainment was assessed in the classroom and through written tests. By the end of the year 79% of students in Foundation level had made good or excellent progress in English and 87% in mathematics. At Level 1, 83% of students made good or better progress in English and 79% in maths.

# THE UCL ACADEMY

## GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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### Going concern

After making appropriate enquiries, the board of governors has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, the board of governors continues to adopt the going concern basis in preparing the accounts. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

### **Financial review**

During the year, total income was £5,920,000 and comprised of recurrent funding from the Department for Education (DfE) of £5,612,000; funding from local authorities of £221,000; a donation of £20,000 and other unrestricted income of £67,000. Funding from the DfE included an abatement of General Annual Grant (GAG) of £369,000 in respect of actual post-16 student numbers being less than originally expected.

Total expenditure was £6,140,000, and comprised of staff costs £3,705,000; other direct educational fees and supplies £533,000; contribution to unitary charge £936,000; other support costs £906,000 and governance costs of £59,000.

The excess of expenditure over income was £220,000 and arose from the DfE abatement of GAG.

### Reserves Policy

The level of reserves takes into account the nature of income and expenditure streams, the need to match them with commitments, including future capital projects, and the nature of reserves. The governors keep the level of reserves under review. Reserves (excluding the pension reserve) at the end of the period include £161,000 surplus expenditure over income. The trust has implemented budgetary restrictions during the year to 31 August 2015 to return these funds to surplus.

### Investment policy

The aim of the policy is to ensure that funds which the academy does not immediately need to cover anticipated expenditure are invested in such a way as to maximise the academy's income but without risk. The academy's aim is to spend the public monies with which it is entrusted for the direct education benefit of students as soon as is prudent. The academy does not consider the investment of surplus funds as a primary activity, rather it is the result of good stewardship as and when circumstances allow. During the period, no investments were made due to the requirement to meet the teaching and learning resource needs of the growing academy.

### **Principal risks and uncertainties**

The governors are responsible for the management of risks to which the academy trust is exposed, and undertake a review of risks associated with its activities on a regular basis, and consider the effectiveness of the strategies in place to manage them. During the year ended 31 August 2014 the risk register has been used by governors to carry out reviews. Risks were reviewed which address teaching and learning, curriculum development, supporting the learner, community development, building links with UCL and support systems and processes.

# THE UCL ACADEMY

## GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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Other specific risks faced by the academy trust were:

- The quality of leadership and management
- The quality of teaching and learning
- Learner progress
- Building and maintaining community relations
- The quality of collaboration with UCL
- The effectiveness of financial and other support system controls

### Plans for the future

The 2014-15 financial year will be the third year of full operations, with five year groups in the academy.

The aims and objectives for the academy in 2014-15 include:

- Teaching and Learning strategy:
  - Improving consistency of the quality of teaching and learning;
- Curriculum and Standards strategy:
  - Improve rates of progress of most and least able boys;
  - Reduce gaps in progress and standards of students with special educational needs, and those for whom the academy receives Pupil Premium funding, with other students;
  - Reduce number of students with reading ages below their chronological age;
  - Introduce a new assessment policy and practice into Foundation and Level 1;
  - Evaluate the effectiveness of the International Middle Years Curriculum
  - Prepare 2015 Level 2 curriculum
- Supporting the Learner strategy:
  - Implement new SEND Code of Practice
  - Review and improve support for students with English as an Additional Language
- Leadership
  - Improve efficiency and effectiveness of the:
    - Academy infrastructure
    - Performance management process
    - Marketing and communications
    - Quality assurance processes
    - Continuous professional learning provision
    - IT systems to support learning and administration



# THE UCL ACADEMY

## GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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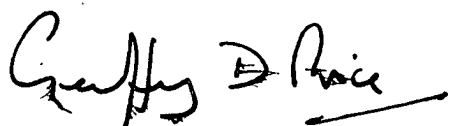
### Auditor

In so far as the trustees are aware:

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

A resolution proposing that Pawley & Malyon be reappointed as auditor of the charitable company will be put to members.

Approved by order of the board of governors on 3 December 2014 and signed on its behalf by:

  
.....

Professor Geoffrey David Price

**Chairman**

# THE UCL ACADEMY

## GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2014

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### Scope of Responsibility

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

The board of governors has delegated the day-to-day responsibility to the principal, Ms Geraldine Davies, 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 UCL Academy and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

### Governance

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

Governors	Meetings attended	Out of a possible
Professor Geoffrey Price (Chairman)	3	3
Ms Clare Goudy	3	3
Dr Lucinda Green	3	3
Ms Avril Rogers (Resigned 1 October 2013)	0	0
Professor Norah Frederickson	3	3
Ms Geraldine Davies (Principal and Accounting Officer)	3	3
Ms Jessica Learmond-Criqui	3	3
Mr Saul Schneider	2	3
Mr Lancelot Comrie	3	3
Ms Kay Bedford (Resigned April 2014)	0	2
Ms Alison Kelly (Appointed September 2013)	3	3
Ms Deborah Thomas (Appointed February 2014)	2	2
Mr Ewan Labrom (Appointed June 2014)	1	1
Dr Colin Ankerson (Appointed February 2014)	1	2

The finance and general purposes committee is a sub-committee of the main board of governors. Its purpose is to monitor and review policies and procedures for ensuring the effective implementation and operation of financial management at the academy, to agree an annual budget, to monitor in-year income and expenditure against the budget, to consider funding proposals, to consider policies on procurement and income generation, to review financial risks and insurance arrangements and to consider the annual financial statements. The committee also considers matters relating to staff, including determining the terms and conditions of service of all employees in accordance with the Academy's Pay Policy.

# THE UCL ACADEMY

## GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

During the year Mr A Brown, responsible officer, attended 2 meetings as an observer and Ms N Arnold from UCL attended 3 meetings as an observer. Mr S Avis (Bursar) attend all meetings as an observer.

Attendance at meetings in the year was as follows:

Trustee/Governor	Meetings attended	Out of a possible
Ms Jessica Learmond-Criqui (Chairman)	3	3
Ms Geraldine Davies (Principal and Accounting Officer)	3	3
Mr Saul Schneider	1	3
Mr Lancelot Comrie	2	3
Ms Kay Bedford (Resigned April 2014)	3	3
Ms Alison Kelly (Appointed 21 September 2013)	2	2
Mr Ewan Labrom (Appointed June 2014)	1	1

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the UCL Academy for the period 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and accounts.

### Capacity to Handle Risk

The board of governors has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of governors is of the view that there is an on-going process for identifying, evaluating and managing the academy trust's significant risks that have been in place for the period 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of governors.

# THE UCL ACADEMY

## GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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### The risk and control framework

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

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

The board of governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor at this time.

The responsible officer's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a termly basis the responsible officer reports to the finance and staffing committee on the operation of the systems of control and on the discharge of the trustees' financial responsibilities.

### Review of effectiveness

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

- the work of the responsible officer;
- the work of the external auditor;
- the 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 finance and staffing committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of governors on 3 December 2014 and signed on its behalf by:



Professor Geoffrey David Price  
Chairman



Ms Geraldine Davies  
Principal and Accounting Officer

# **THE UCL ACADEMY**

## **STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

*FOR THE YEAR ENDED 31 AUGUST 2014*

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

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

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

Approved on 3 December 2014 and signed by:



Ms Geraldine Davies

**Accounting Officer**

# THE UCL ACADEMY

## STATEMENT OF GOVERNORS' RESPONSIBILITIES

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The governors (who act as trustees for The UCL Academy and are also the directors of The UCL Academy for the purposes of company law) are responsible for preparing the Governors' Report and the accounts 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 trustees to prepare accounts for each financial year. Under company law the governors must not approve the accounts 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 accounts, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in 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; and
- prepare the accounts 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 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 board of governors on 3 December 2014 and signed on its behalf by:



Professor Geoffrey David Price

**Chairman**

# **THE UCL ACADEMY**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF THE UCL ACADEMY**

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We have audited the accounts of The UCL Academy for the year ended 31 August 2014 set out on pages 17 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 issued by the EFA.

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

#### **Respective responsibilities of governors and auditors**

As explained more fully in the Governors' Responsibilities Statement set out on page 12, the governors, who are also the directors of The UCL Academy for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts 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 accounts**

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company'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 accounts. In addition, we read all the financial and non-financial information in the Governors' Annual Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on accounts**

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

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

# THE UCL ACADEMY

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE UCL 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 accounts 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.



Mr David H Malyon (Senior Statutory Auditor)  
for and on behalf of Pawley & Malyon

Chartered Accountants

Statutory Auditor

14 Austin Friars

London

EC2N 2HE

Dated: 4<sup>th</sup> December 2014



# THE UCL ACADEMY

## INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO THE UCL ACADEMY AND THE EDUCATION FUNDING AGENCY

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In accordance with the terms of our engagement letter dated 26 May 2011 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The UCL Academy during the period 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The UCL 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 The UCL 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 The UCL Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of The UCL Academy's accounting officer and the reporting auditor**

The accounting officer is responsible, under the requirements of The UCL Academy's funding agreement with the Secretary of State for Education dated 2 December 2009 and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2014 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.

## THE UCL ACADEMY

### INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO THE UCL ACADEMY AND THE EDUCATION FUNDING AGENCY (CONTINUED)

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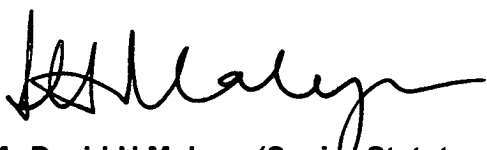
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

In this regard we undertook

- specific testing of a sample of items of income and expenditure to ensure appropriately applied for the purposes intended;
- specific testing of a sample of system controls relevant to the above items;
- a general review of relevant correspondence with the EFA regarding Academy governance matters during the period; and
- a general review and discussion of the Academy's internal processes for establishing systems of control and documentation regarding these matters.

#### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mr David H Malyon (Senior Statutory Auditor)  
for and on behalf of Pawley & Malyon

Dated: 4<sup>th</sup> December 2014

# THE UCL ACADEMY

## STATEMENT OF FINANCIAL ACTIVITIES

### INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2014

		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2014	Total 2013
	Note	£000	£000	£000	£000	£000
<b>Incoming Resources</b>						
<i>Incoming resources from generated funds:</i>						
- Voluntary income	3	20	-	-	20	1
- Activities for generating funds	4	67	-	-	67	35
<i>Incoming resources from charitable activities:</i>						
- Funding for educational operations	5	-	5,833	-	5,833	4,072
<b>Total incoming resources</b>		<b>87</b>	<b>5,833</b>	<b>-</b>	<b>5,920</b>	<b>4,108</b>
<b>Resources expended</b>						
<i>Cost of generating funds:</i>						
<i>Charitable activities</i>						
- Educational operations	7	-	6,081	-	6,081	4,080
<i>Governance costs</i>	8	-	59	-	59	127
<b>Total resources expended</b>	6	<b>-</b>	<b>6,140</b>	<b>-</b>	<b>6,140</b>	<b>4,207</b>
<b>Net incoming/(outgoing) resources before transfers</b>						
Gross transfers between funds		-	-	-	-	-
<b>Net income/(expenditure) for the year</b>		<b>87</b>	<b>(307)</b>	<b>-</b>	<b>(220)</b>	<b>(99)</b>
<b>Other recognised gains and losses</b>						
Actuarial gains/(losses) on defined benefit pension scheme	15,20	-	(146)	-	(146)	(1)
<b>Net movement in funds</b>		<b>87</b>	<b>(453)</b>	<b>-</b>	<b>(366)</b>	<b>(100)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 September 2013	15	35	(8)	-	27	127
<b>Total funds carried forward at 31 August 2014</b>		<b>122</b>	<b>(461)</b>	<b>-</b>	<b>(339)</b>	<b>27</b>

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006. A statement of total recognised gains and losses is not required as all gains and losses are included in the statement of financial activities.

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

# THE UCL ACADEMY

## BALANCE SHEET

AS AT 31 AUGUST 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
<b>Fixed assets</b>					
Tangible assets	12		458		126
<b>Current assets</b>					
Debtors	13	639		371	
Cash at bank and in hand		<u>300</u>		<u>251</u>	
		939		622	
Creditors: amounts falling due within one year	14	<u>(1,558)</u>		<u>(715)</u>	
<b>Net current assets</b>			<u>(619)</u>		<u>(93)</u>
<b>Total assets less current liabilities</b>			<u>(160)</u>		<u>33</u>
Defined benefit pension liability	20		<u>(178)</u>		<u>(6)</u>
<b>Net assets including pension liability</b>			<u>(339)</u>		<u>27</u>
<b>Funds of the academy trust:</b>					
<b>Restricted funds</b>					
- Fixed asset fund	15	-		-	
- General fund	15	(283)		(2)	
- Pension reserve	15	<u>(178)</u>		<u>(6)</u>	
<b>Total restricted funds</b>			<u>(461)</u>		<u>(8)</u>
<b>Unrestricted income funds</b>					
- General fund	15	<u>122</u>		<u>35</u>	
<b>Total unrestricted funds</b>			<u>122</u>		<u>35</u>
<b>Total funds</b>			<u>(339)</u>		<u>27</u>

The financial statements on pages 17 to 33 were approved by the governors, and authorised for issue on 3 DECEMBER 2014 and are signed on their behalf by:



Professor Geoffrey David Price

Chairman

Company Number 07024902

# THE UCL ACADEMY

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
<b>Net cash inflow from operating activities</b>	17		497		253
<b>Capital expenditure and financial investments</b>					
Payments to acquire tangible fixed assets		(448)		(159)	
			(448)		(159)
<b>Increase in cash in the year</b>	18		49		94
<b>Reconciliation of net cash flow to movement in net funds</b>					
Net funds at 1 September			251		157
<b>Net funds at 31 August</b>			300		251

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

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### 1 Accounting policies

#### 1.1 Basis of preparation

The accounts have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the Education Funding Agency and the Companies Act 2006. 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, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of a period of one year from the date of approval of the accounts.

#### 1.3 Incoming resources

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

##### **Grants receivable**

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

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.

##### **Sponsorship income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable, where there is certainty of receipt and the value of the donation is measurable.

##### **Donations**

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

##### **Other income**

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

##### **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.

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 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.

##### Costs of generating funds

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

##### Charitable activities

These are costs incurred on the academy 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

Assets costing £ 5,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Computer equipment	in equal instalments over four years
Fixtures, fittings and equipment	in equal instalments over five years

#### 1.6 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

#### 1.7 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.

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 1 Accounting policies (Continued)

#### 1.8 Pensions benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes 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 , 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 are recognised as they are paid each year.

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

#### 1.9 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency/Department for Education/sponsor/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.

### 2 General Annual Grant

Under the funding agreement with the Secretary of State the academy trust was subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes. The academy trust has not exceeded these limits during the year ended 31 August 2014.

### 3 Voluntary income

	Unrestricted funds £000	Restricted funds £000	Total 2014 £000	Total 2013 £000
Other donations	20	-	20	1



# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 4 Activities for Generating Funds

	Unrestricted funds £000	Restricted funds £000	Total 2014 £000	Total 2013 £000
Trips and events	9	-	9	21
Catering income	-	-	-	8
Hire of facilities	33	-	33	-
Books and equipment	4	-	4	5
Other income	21	-	21	-
	<u>67</u>	<u>-</u>	<u>67</u>	<u>34</u>

### 5 Funding for the Academy Trust's Educational Operations

	Unrestricted funds £000	Restricted funds £000	Total 2014 £000	Total 2013 £000
<b>DfE/EFA revenue grants</b>				
General Annual Grant (GAG)	<u>-</u>	<u>5,612</u>	<u>5,612</u>	<u>3,996</u>
<b>Other government grants</b>				
Local authority grants	<u>-</u>	<u>221</u>	<u>221</u>	<u>76</u>
<b>Total funding</b>	<u>-</u>	<u>5,833</u>	<u>5,833</u>	<u>4,072</u>

### 6 Resources expended

	Staff Costs £000	Non Pay Expenditure Premises £000	Other £000	Total 2014 £000	Total 2013 £000
<b>Academy's educational operations</b>					
- Direct costs	3,242	-	533	3,775	2,723
- Allocated support costs	464	936	906	2,306	1,357
	<u>3,706</u>	<u>936</u>	<u>1,439</u>	<u>6,081</u>	<u>4,080</u>
Governance costs	<u>-</u>	<u>-</u>	<u>59</u>	<u>59</u>	<u>127</u>
<b>Total expenditure</b>	<u>3,706</u>	<u>936</u>	<u>1,498</u>	<u>6,140</u>	<u>4,207</u>

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 7 Charitable Activities

	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
<b>Direct costs – educational operations</b>		
Teaching and educational support staff costs	3,242	2,256
Educational supplies and services	343	254
Examination fees	38	25
Staff development	40	15
Other direct costs	113	173
	<b>3,774</b>	<b>2,723</b>
<b>Allocated support costs</b>		
Support staff costs	464	191
Technology costs	70	113
Recruitment and support	139	38
Maintenance of premises and equipment	936	587
Rent and rates	178	137
Insurance	18	15
Catering	133	107
Other support costs	368	169
	<b>2,306</b>	<b>1,357</b>
<b>Total direct and support costs</b>	<b>6,081</b>	<b>4,080</b>

### 8 Governance Costs

	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Legal and professional fees	43	122
Auditor's remuneration		
- Audit of financial statements	16	5
	<b>59</b>	<b>127</b>

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 9 Staff

#### a. Staff costs

Staff costs during the period were:	2014 £000	2013 £000
Wages and salaries	2,979	1,943
Social security costs	269	168
Pension costs	334	195
	<u>3,582</u>	<u>2,306</u>
Supply teacher costs	<u>124</u>	<u>141</u>
Total staff costs	<u>3,706</u>	<u>2,447</u>

#### b. Staff numbers

The average number of persons employed by the academy during the year expressed as full time equivalents was as follows:

Staff costs during the period were:	2014 No.	2013 No.
<b>Charitable Activities</b>		
Teachers	42	34
Administration and support	32	22
Senior management	7	6
	<u>81</u>	<u>62</u>

#### c. Higher paid staff

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

Staff costs during the period were:	2014 No.	2013 No.
£60,001 to £70,000	1	-
£70,001 to £80,000	3	2
£110,001 to £120,000	<u>1</u>	<u>1</u>

Four (2013: two) of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 employer's pension contributions for these staff amounted to £45,000 (2013: £26,000)

### 10 Related Party Transactions - Governors' remuneration and expenses

The Principal and the other staff governor only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as governors. Other governors did not receive any payments, and no expenses were reimbursed. The value of governors' remuneration was:

G Davies (Principal and governor)	£115,000 to £120,000 (2013: £110,000 to £115,000)
C Ankerson (Staff governor)	£45,000 to £50,000 (2013: nil)

Other related party transactions involving the governors are set out in Note 21

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 11 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 year ended 31 August 2014 was £1,384 (2013: £864)

### 12 Tangible fixed assets

	Computer equipment £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>			
At 1 September 2013	72	92	164
Additions	375	73	448
At 31 August 2014	447	165	612
<b>Depreciation</b>			
At 1 September 2013	19	19	38
Charge for the year	83	33	116
At 31 August 2014	102	52	154
<b>Net book value</b>			
At 31 August 2014	345	113	458
At 31 August 2013	53	73	126

### 13 Debtors

	2014 £000	2013 £000
VAT recoverable	263	189
Other debtors	37	15
Prepayments and accrued income	339	167
	639	371

### 14 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Other creditors	115	53
EFA creditor: abatement of GAG	369	-
Accruals	1,074	662
	1,558	715

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 15 Funds

	Balance at 1 September 2013 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2014 £000
<b>Restricted general funds</b>					
General Annual Grant	(78)	5,612	(6,114)	-	(580)
Other government grants	76	221	-	-	297
Pension reserve	(6)	-	(26)	(146)	(178)
	(8)	5,833	(6,140)	(146)	(461)
<b>Restricted fixed asset funds</b>	-	-	-	-	-
<b>Total restricted funds</b>	(8)	5,833	(6,140)	(146)	(461)
<b>Unrestricted funds</b>					
General funds	35	87	-	-	122
<b>Total funds</b>	27	5,920	(6,140)	(146)	(339)

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

Under the funding agreement with the Secretary of State, the academy trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2014. Note 2 discloses whether the limit was exceeded.

The trust is carrying a net deficit of £161,000 on restricted general funds (excluding pension reserve) plus unrestricted funds because of an EFA abatement of GAG of £369,000 in respect of lower post-16 student numbers than expected during the year. The trust has implemented budgetary restrictions during the year to 31 August 2015 to return these funds to surplus.

### 16 Analysis of net assets between funds

Fund balances at 31 August 2014 are represented by:

	Unrestricted funds £000	Restricted funds £000	Fixed asset funds £000	Total funds £000
Tangible fixed assets			458	458
Current assets	709	230		939
Current liabilities	(587)	(971)		(1,558)
Defined benefit pension liability		(178)		(178)
<b>Total net assets</b>	122	(919)	458	(339)
Balance to allocate	-	458	(458)	-
Per balance sheet	122	(461)	-	(339)

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 17 Reconciliation of net income to net cash inflow/(outflow) from operating activities

	2014 £000	2013 £000
Net income	(220)	(100)
Depreciation	116	-
FRS 17 pension costs less contributions payable	26	5
(Increase)/decrease in debtors	(268)	(342)
Increase/(decrease) in creditors	843	690
Net cash inflow/(outflow) from operating activities	497	253

### 18 Analysis of changes in net funds

	At 1 September 2013 £000	Cash flows £000	At 31 August 2014 £000
Cash in hand and at bank	251	49	300
	251	49	300

### 19 Members' liability

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

### 20 Pensions and similar obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Camden. 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 August 2014.

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

#### Teachers' Pension Scheme

##### Introduction

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

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

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### 20 Pension and similar obligations (continued)

#### Teachers' Pension scheme (continued)

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 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

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

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

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

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>)

#### Teachers' Pension Scheme changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

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

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 20 Pension and similar obligations (continued)

#### Teachers' Pension scheme (continued)

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 up to three and a half years outside of the 10 year protection.

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

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The agreed contribution rates for future years are 17 per cent for employers and between 5.9 and 6.8 per cent 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.

#### Principal Actuarial Assumptions

	At 31 August 2014	At 31 August 2013
Rate of increase in salaries	4.50%	5.10%
Rate of increase for pensions in payment	2.70%	2.80%
Discount rate for scheme liabilities	3.70%	4.60%
Expected return on assets	5.80%	6.10%



# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 20 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 August 2014	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	17%	71
1 year increase in member life expectancy	3%	12
0.5% increase in the Salary Increase Rate	11%	44
0.5% increase in Pension Increase Rate	6%	23

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

	At 31 August 2014 Years	At 31 August 2013 Years
<i>Retiring today</i>		
Males	22	21
Females	24.4	23
<i>Retiring in 20 years</i>		
Males	24.3	24
Females	26.8	26

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

	Expected return at 31 August 2014 % per annum	Fair value at 31 August 2014 £000	Expected return at 31 August 2013 % per annum	Fair value at 31 August 2013 £000
Equities	6.4%	179	6.7%	24
Bonds	3.6%	31	3.7%	4
Property	4.5%	21	4.7%	2
Other assets	3.3%	5	3.6%	-
<b>Total market value of assets</b>		236		30
Present value of scheme liabilities - funded		(414)		(36)
<b>Surplus/(deficit) in the scheme</b>		(178)		(6)

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 20 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 August 2013 for the year to 31 August 2014, or date of joining the fund if later).

This is derived from an actuarial economic scenario generator model which uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables.

#### Amounts recognised in the statement of financial activities

	2014 £000	2013 £000
Current service cost	(86)	(26)
Past service cost	-	-
Total operating charge	(86)	(26)
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	(11)	(1)
Interest on pension liabilities	(13)	1
<b>Pension finance income/(costs)</b>	(24)	-

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £65,000 loss (2013: £1,000 loss).

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

	2014 £000	2013 £000
<b>At 1 September</b>	(36)	-
Current service cost	(86)	(26)
Interest cost	(13)	(1)
Employee contributions	(24)	(8)
Actuarial gains/(losses)	(64)	(1)
Liabilities assumed in a Business Combination	(191)	-
<b>At 31 August</b>	(414)	(36)

# THE UCL ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2014

### 20 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

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

	2014 £000	2013 £000
<b>At 1 September</b>	<b>30</b>	<b>-</b>
Expected return on assets	11	1
Actuarial gains/(loss)	1	-
Employer contributions	63	21
Employee contributions	24	8
Liabilities assumed in a Business Combination	107	-
<b>At 31 August</b>	<b>236</b>	<b>30</b>

The estimated value of employer contributions for the period to 31 August 2015 is £79,000.

##### The history of experience adjustments is as follows:

	2014 £000	2013 £000
Present value of defined benefit obligations	(414)	(36)
Fair value of share of scheme assets	236	30
<b>Surplus / (deficit)</b>	<b>(178)</b>	<b>(6)</b>

### 21 Related Party Transactions

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

No related party transactions took place in the period of account.