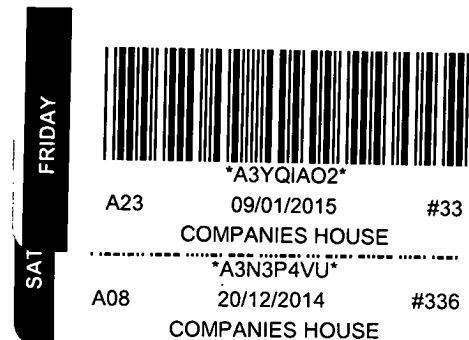


**Yardleys School**  
**(A Company Limited by Guarantee)**  
**Annual Report and Financial Statements**  
**Period ended 31 August 2014**

Company Number : 08496504



**Feltons**  
**Chartered Accountants**

**Birmingham**  
**B1 3JR**

# **Yardleys School**

**(A Company Limited by Guarantee)**

## **Report and financial statements Period ended 31 August 2014**

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**Yardleys School**  
**(A Company Limited by Guarantee)**

**Reference and Administrative Details**

Members	Mr John Gardner Ms Jean Helme Mr Henroy Green	
Trustees	Mr David Crook Mr John Gardner * Mr Henroy Green * Mrs Razia Hadait *  Mr Adill Hadi Ms Jean Helme * Mrs Margaret Rosemary Hughes * Mr Barkat Hussain Mr Robert Johnson * Mr Peter Lee * Mr William Murray-Smith  Mrs Jayshree Vadgama * Mr Martin Straker-Welds Mr John Wilson Mr David Woods  Mrs Rukhsana Zaman *	Co-opted - appointed 01/08/13 Member - appointed 19/04/13 Member - appointed 19/04/13 Parent - appointed 01/08/13, resigned 30/8/13  Parent - appointed 01/08/13 Member - appointed 19/04/13 Principal - appointed 01/08/13 Parent - appointed 01/08/13 Staff - appointed 01/08/13 Member - appointed 01/08/13 Co-opted - appointed 01/08/13, resigned 08/07/14 Member - appointed 01/08/13 Member - appointed 01/08/13 Staff - appointed 01/08/13 Co-opted - appointed 01/08/13, resigned 05/02/14 Member - appointed 01/08/13, resigned 22/03/14 * members of finance committee
Company secretary		Mrs Jill Wilson
Senior management team	Principal/Head teacher Deputy Head teacher Deputy Head teacher Deputy Head teacher Deputy Head teacher Assistant Head teacher Assistant Head teacher Business Manager	Mrs Margaret Rosemary Hughes Mr Gurpreet Basra Mr Andrew Bate Mr Brynley Evans Mr David Pohl Mr Edward Halliday Ms Lyndsey Maginnis Mrs Jill Wilson
Responsible officer		Mr Mike Tovey Schools Financial Services 10 Woodcock Street Aston Birmingham B7 4BL
Principal and registered office		Mrs Margaret Rosemary Hughes Yardleys School Reddings Lane Tyseley Birmingham B11 3EY
Company registration number		08496504
Independent auditor		Feltons 8 Sovereign Court 8 Graham Street Birmingham B1 3JR
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN	Royal Bank of Scotland 747 Sheffield Attercliffe Road Sheffield S9 3RF
Solicitors		Stone King 16 St. John's Lane London EC1M 4BS

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Trustees' report**

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 19 April 2013 to 31 August 2014. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The trust operates an academy for pupils aged 11 to 16 serving a catchment area in Birmingham. It has a pupil capacity of 900 and had a roll of 914 in the school census on 15th May 2014.

**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 Trustees of Yardleys School are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Yardleys School.

Details of the Trustees who served during the course of the year are included in the Reference and Administrative details on page 1.

Members' liability

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

Trustees' indemnities

In accordance with normal commercial practice the Academy has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim.

Method of recruitment and appointment or election of Trustees

Under the Academy's Articles of Association, the number of Governors shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

The Academy Trust has the following governors:

- a) Up to 8 governors appointed by the members
- b) A minimum of two and up to seven parent governors (elected by parents of registered pupils of Yardleys School)
- c) The Principal
- d) Up to three staff governors, including up to one support staff (elected by employees of the Academy Trust)
- e) The Academy Trust may also have any co-opted governor, appointed by governors who are not themselves co-opted

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Trustees' report (continued)**

Policies and procedures adopted for the induction and training of Trustees

The Governing Body has a Service Level Agreement with School & Governor Support at Birmingham City Council to provide training, advice and support to the Governing Body.

As there are normally fewer than three new governors per year induction is undertaken informally and is tailored specifically to the individual.

The Head teacher is the leader for professional development for Trustees in school, and she ensures that Trustees are provided with opportunities to receive training in accordance with their role.

Organisational structure

The Governing Body has established committees and appoints Trustees to serve on each of the committees annually. The committees for the period of the report were:

- Finance, Premises & Staffing
- Accountability & Standards
- Student & Curriculum
- Pay committee

In addition governors volunteer to serve on ad-hoc committees which are convened as required e.g. to hear staff or pupil disciplinary cases and appeals.

The written terms of reference of the committees include the monitoring of the preparation and management of the Academy's budget and implementation of the Academy's financial management policies, including risk assessment.

The Governing Body also appoints a Responsible Officer and this role has been fully implemented in accordance with the Academy Trust's Financial Procedures.

The Governors are responsible for the strategic development of the Academy, including adopting a School Improvement Plan, approving the annual budget, setting general policy, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The Leadership Team consists of the Head teacher, four Deputy Head teachers, two Assistant Head teachers and the Business Manager. These managers control the Academy at an executive level implementing the policies laid down by governors and reporting back to them. As a group, the leadership team is responsible for the authorisation of spending within agreed budgets and the appointment of staff, although senior staff appointments will always include a governor on the interview panel.

Connected organisations, including related party relationships

Yardleys School has working links with a range of other organisations including local primary and secondary schools, local FE colleges and employers, local Teaching School Alliances, Birmingham and other local authorities, Police Panel, Sharing Panel, the local Collegiate, the National College for Teaching and Leadership. These links are maintained in the interests of supporting good practice and information sharing in order to support the Academy's object of the advancement for the public benefit education in the United Kingdom.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Trustees' report (continued)**

**Objectives and activities**

Objects and aims

The strategic goal of Yardleys School is to provide a broad and balanced curriculum to all pupils in accordance with the Funding Agreement between the Academy Trust and the Department for Education.

Objectives, strategies and activities

At Yardleys we aim to develop a sense of pride in young people and their achievements and to build a community that cares for others.

Our objectives include:

- To raise the high aspirations and achievements of all young people
- To ensure that each child fulfils their potential whatever their ability
- To promote equality of opportunity for all, regardless of gender, culture or religion
- To create a safe environment and a caring, tolerant community where all are respected and valued
- To prepare our students to be productive citizens in a rapidly changing world

Public benefit

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

Yardleys School is an equal opportunity employer, and strives to give full and fair consideration to all applicants for employment, training and promotions, irrespective of disability, gender, race, colour or sexual orientation.

**Strategic report**

**Achievements and performance**

The Academy is in its first year of operation and the conversion process was seamless to stakeholders, pupils and staff.

Yardleys School continues to be significantly oversubscribed. In 2014, 989 parents expressed a preference for one of the 180 places in Year 7.

During the summer term of 2010 Yardleys was inspected by Ofsted and judged to be "outstanding". The initial paragraph in the report states:

*"This outstanding school exemplifies the very best in education provision, showing that young people can achieve exceptionally well, irrespective of circumstances that for many would put them at risk of failure. "*

The academic year 2013/14 built on previous years' successes and the school maintained its position as a high achieving school against national performance despite significant changes to the way in which performance tables are calculated in 2014. 73% of our students gained 5 or more GCSE passes at grades A\*-C, with 57% of gaining 5 or more A\*-C grades including English and Maths. We were particularly proud that 100% of our students gained 5 or more GCSE passes at A\*-G.

The school has historically been in the top 10% in the valued added percentile rank and the results in 2014 are expected to be in line with this once Raise on Line is published. Under the new Progress 8 measure the school performed half a grade higher than would normally have been expected, putting performance close to outstanding.

To ensure that standards are continually raised a programme of observation of lessons and training is followed and student progress is monitored constantly with a range of interventions available where necessary. A robust performance management system for all staff is in place.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Trustees' report (continued)**

Key performance indicators

- Direct costs as a percentage of total costs were 69.7%
- Support costs as a percentage of total costs were 30.2%
- Total payroll costs as a percentage of recurring income were 61.4%

Going concern

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

**Financial review**

The financial results of Yardleys School are detailed in the following pages. It is considered that the finances are sound and well established. The principal financial management policies adopted are laid down by the Finance Handbook for Academies published by the EFA and requirements as laid down by the Academy's Financial Handbook.

The principal funding source is grant income from the EFA. All expenditure of this grant income is planned to fulfil the objectives and strategies of the Academy.

During the period ended 31 August 2014 total resources expended were £6,985,211 and the surplus of income over expenditure was £16,826,541 which included depreciation of £455,403.

At 31 August 2014 the net book value of fixed assets was £15,808,955. The assets were used exclusively for providing the education and the associated support services to the pupils of Yardleys School.

Reserves policy

The Trustees continually monitor the reserves of the Charitable Company. This process encompasses the nature of income and expenditure streams and the need to match commitments with income and nature of reserves.

It is the Governing Body's general policy to continue to build reserves which can be used for future educational purposes.

The deficit on the restricted pension fund of £1,457,000 arises from an actuarial deficit on the local government pension scheme which will be dealt with as advised by the actuary.

Investment policy

Any surplus funds are invested with Lloyds Bank in a deposit account. These investments are carried out in accordance with the powers vested in the Governing Body.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Trustees' report (continued)**

**Principal risks and uncertainties**

The Trustees have considered the major risks and uncertainties facing the Charitable Company which include changes in legislation and regulations and cash flow management and have put in place procedures to deal with these matters.

**Plans for future periods**

The school aims to maintain and improve upon its outstanding status, through:

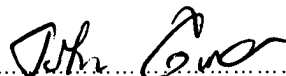
- Continuing to focus on learning, not teaching
- Continuing to improve CPD programme
- Continuing to improve the planning of lessons and units of work
- Continuing to improve the monitoring of lessons and pupil work
- Continuing to improve the quality and accuracy of school self-evaluation
- Further improving tutor time
- Further improving the setting and completion of regular homework
- Increasing the achievement in exams through pupils' independent revision
- Further improving enrichment/extra-curricular learning
- Continuing to improve the delivery of cross-curricular themes in lessons
- Continuing to develop Pupil Premium and Year 7 catch-up strategy

**Auditor**

Insofar as the Trustees are aware :

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

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 15/12/14 and signed on its behalf by:

 J Gardner - Chair of Trustees



**Yardleys School**  
**(A Company Limited by Guarantee)**

**Governance statement**

**Scope of Responsibility**

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

The Board of Trustees has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Yardleys School and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Trustees' Report and in the statement of Trustees' responsibilities. The Board of Trustees has formally met 6 times during the period. Attendance during the period at meetings of the Board of Trustees was as follows :

	Meetings attended	Out of a possible
<b>Main board</b>		
Mr D Crook	5	6
Mr J Gardner (Chair)	6	6
Mr H Green	6	6
Mr A Hadi	4	6
Mrs R Hadait	1	1
Ms J Helme (Vice Chair)	6	6
Mrs M R Hughes	5	6
Mr B Hussain	6	6
Mr R Johnson	5	6
Mr P Lee	4	6
Mr W Murray-Smith	3	6
Mr M Straker-Welds	5	6
Mrs J Vadgama	6	6
Mr J Wilson	5	6
Mr D Woods	0	3
Mrs R Zaman	1	1
<b>Finance committee</b>		
Mr J Gardner	6	6
Mr H Green	5	6
Mrs R Hadait	0	1
Ms J Helme	6	6
Mrs M R Hughes	6	6
Mr R Johnson	4	6
Mr P Lee	4	6
Mrs J Vadgama	5	6
Mrs R Zaman	4	4

**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 the Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Yardleys School for the period to 31 August 2014 and up to the date of approval of the annual report and financial statements.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 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 trustees.

**The Risk and Control Framework**

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Schools Financial Services (BCC) to act as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks in the academy trust's financial systems. On a half-yearly basis, the RO reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.


**Review of Effectiveness**

As Accounting Officer, Mrs Hughes (the Head teacher) 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 Responsible Officer;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance, Premises & Staffing 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 board of trustees on 15/12/14 and signed on its behalf by:

 J Gardner - Chair of Trustees

 M R Hughes - Accounting Officer

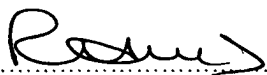
**Yardleys School**  
**(A Company Limited by Guarantee)**

**Statement on regularity, propriety and compliance**

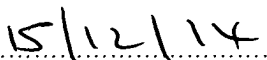
As accounting officer of Yardleys School I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the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

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of trustees and the EFA.



M R Hughes - Accounting Officer



Date

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Statement of Trustees' Responsibilities**

The trustees (who act as governors of Yardleys School and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts 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 financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the 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 trustees are required to:

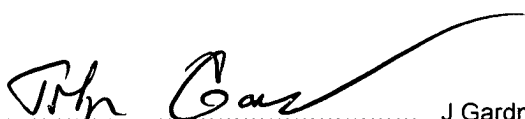
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

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

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

Approved by order of the members of the board of trustees on 15/12/14 and signed on its behalf by:

  
..... J Gardner - Chair of Trustees

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Independent Auditor's Report on the Financial Statements to the Board of Trustees of Yardleys School**

We have audited the financial statements of Yardleys School (A Company Limited by Guarantee) for the period ended 31 August 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy trust and its members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the trustees 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 charitable company's affairs as at 31 August 2014, 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 in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Independent Auditor's Report on the Financial Statements to the Board of Trustees of Yardleys School**

**(continued)**

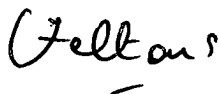
**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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



**David W Farnsworth FCA (Senior Statutory Auditor)**

For and on behalf of Feltons, Statutory Auditor

8 Sovereign Court

8 Graham Street

Birmingham B1 3JR

**16** December 2014

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Independent Reporting Accountant's Assurance Report on Regularity to Yardleys School and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 31 March 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Yardleys School during the period 19 April 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 Yardleys School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Yardleys School 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 Yardleys School and the EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Yardleys School's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Yardleys School's funding agreement with the Secretary of State for Education dated 31 July 2013 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 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 19 April 2013 to 31 August 2014 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion includes :

- Consideration of the applicable legislation and the Academy Trust's Funding Agreement
- Review and evaluation of the academy trust's system of internal controls
- Examination and assessment of the Accounting Officer's statement on Regularity, Propriety and Compliance
- Examination, on a test basis, of third party evidence supporting income and expenditure
- Review of exceptional and unusual items

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Independent Reporting Accountant's Assurance Report on Regularity to Yardleys School and the Education Funding Agency (continued)**

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 19 April 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.



**David W Farnsworth FCA (Senior Statutory Auditor)**

For and on behalf of Feltons, Statutory Auditor

8 Sovereign Court

8 Graham Street

Birmingham B1 3JR

**16** December 2014



**Yardleys School**  
**(A Company Limited by Guarantee)**

**Statement of financial activities for the period ended 31 August 2014**  
**(including income and expenditure account and statement of total recognised gains and losses)**

	Notes	Unrestricted funds £	Restricted pension fund £	Restricted general funds £	Restricted fixed asset funds £	Total 2014 £
<b>Incoming resources</b>						
<i>Incoming resources from generated funds:</i>						
Voluntary income - transfer from local authority on conversion	2	1,808,510	(1,206,000)	-	15,724,424	16,326,934
Activities for generating funds	3	47,447	-	-	-	47,447
Investment income	4	5,181	-	-	-	5,181
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations	5	-	-	7,406,581	25,609	7,432,190
<b>Total incoming resources</b>		<b>1,861,138</b>	<b>(1,206,000)</b>	<b>7,406,581</b>	<b>15,750,033</b>	<b>23,811,752</b>
<b>Resources expended</b>						
<i>Charitable activities:</i>						
Academy's educational operations	7	51,588	46,000	6,448,062	419,586	6,965,236
<i>Governance costs</i>	8	-	-	8,100	-	8,100
<i>Other resources expended :</i>						
Other costs on conversion		-	-	11,875	-	11,875
<b>Total resources expended</b>	6	<b>51,588</b>	<b>46,000</b>	<b>6,468,037</b>	<b>419,586</b>	<b>6,985,211</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>1,809,550</b>	<b>(1,252,000)</b>	<b>938,544</b>	<b>15,330,447</b>	<b>16,826,541</b>
Gross transfers between funds	15	-	-	(277,054)	277,054	-
<b>Net income/(expenditure) for the period</b>		<b>1,809,550</b>	<b>(1,252,000)</b>	<b>661,490</b>	<b>15,607,501</b>	<b>16,826,541</b>
<b>Other recognised gains and losses</b>						
Actuarial gains/(losses) on defined benefit pension schemes	15, 24	-	(205,000)	-	-	(205,000)
<b>Total funds carried forward at 31 August 2014</b>		<b>1,809,550</b>	<b>(1,457,000)</b>	<b>661,490</b>	<b>15,607,501</b>	<b>16,621,541</b>

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

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Company Number : 08496504**  
**Balance sheet as at 31 August 2014**

	Notes	2014 £	£
<b>Fixed assets</b>			
Tangible assets	12		15,808,955
<b>Current assets</b>			
Debtors	13	232,010	
Cash at bank and in hand		<u>2,566,451</u>	
		2,798,461	
<b>Liabilities</b>			
Creditors: amounts falling due within one year	14(a)	<u>334,894</u>	
<b>Net current assets</b>			2,463,567
<b>Total assets less current liabilities</b>			<u>18,272,522</u>
<b>Creditors: amounts falling due after more than one year</b>	14(b)		(193,981)
			<u>18,078,541</u>
Pension scheme liability	24		(1,457,000)
<b>Net assets including pension liability</b>			<u><u>16,621,541</u></u>
<b>Funds of the academy trust :</b>			
<b>Restricted funds</b>			
Fixed asset fund	15	15,607,501	
General fund	15	661,490	
Pension reserve	15	<u>(1,457,000)</u>	
<b>Total restricted funds</b>			14,811,991
<b>Unrestricted income funds</b>			
General fund	15		1,809,550
<b>Total funds</b>			<u><u>16,621,541</u></u>

The financial statements on pages 15 to 36 were approved by the trustees, and authorised for issue on 15/12/14 and are signed on their behalf by:

 J Gardner - Chair of Trustees

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Cash flow statement for the period ended 31 August 2014**

	Notes	2014 £
<b>Net cash inflow from operating activities</b>	19	1,051,565
Returns on investments and servicing of finance	20	5,181
Capital expenditure	21	(298,805)
Cash transferred on conversion to academy trust	26	1,808,510
<b>Net funds at 31 August 2014</b>	22	<u>2,566,451</u>

All of the cash flows are derived from acquisitions in the period.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014**

**1. Statement of accounting policies**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 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.

**Going concern**

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

**Incoming resources**

All incoming resources are recognised when the academy 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 period 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, 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 academy trust's policies.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**1. Statement of accounting policies (continued)**

**Conversion to 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 method.

The assets and liabilities transferred on conversion from Yardleys School to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set for Yardleys School. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income / net expenditure in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds, restricted pension fund and restricted fixed asset funds. Details of the transaction are set out in note 26.

**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 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 trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

**PFI Agreement**

The Academy occupies buildings which are owned by Birmingham City Council and utilised by the Academy under a PFI agreement between Council and the PFI contractor. The Academy pays revenue contributions in respect of facilities management. The contract will expire in 2031. The Academy has the rights and obligations of ownership in respect of these assets and therefore are included on the Academy's balance sheet as at the date of conversion.

Assets other than buildings are accounted for at fair value with the corresponding liability included in creditors in accordance with FRS 5.

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**1. Statement of accounting policies (continued)**

**Tangible fixed assets**

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

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

The Academy acquired a number of assets from the predecessor school for which no payment was made. A notional donation of £15,945,944 has been recognised to represent their value at that date.

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

Long leasehold buildings	- straight line over 50 years
Fittings and equipment	- 10% straight line
Computer equipment	- 33% straight line
Motor vehicles	- 25% reducing balance

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

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

**Leased assets**

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

**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.

## **Notes to the financial statements for the period ended 31 August 2014 (continued)**

### **1. Statement of accounting policies (continued)**

#### **Pension 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 24, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

#### **Fund accounting**

##### **Unrestricted income funds**

These represent resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

##### **Restricted fixed asset funds**

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

##### **Restricted general funds**

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

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**2. Voluntary income**

	Unrestricted funds £	Restricted pension funds £	Restricted fixed asset funds £	Total 2014 £
Transfer from local authority				
- fixed assets	-	-	15,724,424	15,724,424
- other assets	56,930	-	-	56,930
- budget surplus on LA funds	1,751,580	-	-	1,751,580
- pension deficit	-	(1,206,000)	-	(1,206,000)
	<u>1,808,510</u>	<u>(1,206,000)</u>	<u>15,724,424</u>	<u>16,326,934</u>

**3. Activities for generating funds**

	Unrestricted funds £	Total 2014 £
Educational visits	13,573	13,573
Miscellaneous	33,874	33,874
	<u>47,447</u>	<u>47,447</u>

**4. Investment income**

	Unrestricted funds £	Total 2014 £
Short term deposits	<u>5,181</u>	<u>5,181</u>



**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**5. Funding for the Academy Trust's educational operations**

	<b>Restricted general fund £</b>	<b>Restricted fixed asset funds £</b>	<b>Total 2014 £</b>
<b>DfE/EFA revenue grants</b>			
General Annual Grant	6,746,651	-	6,746,651
Capital grants	-	19,609	19,609
Other DfE/EFA grants	639,568	-	639,568
	<u>7,386,219</u>	<u>19,609</u>	<u>7,405,828</u>
<b>Other government grants</b>			
Local authority grants	19,362	-	19,362
Government grants	1,000	-	1,000
PFI Provider	-	6,000	6,000
	<u>20,362</u>	<u>6,000</u>	<u>26,362</u>
	<u>7,406,581</u>	<u>25,609</u>	<u>7,432,190</u>

**6. Resources expended**

	<b>Staff costs £</b>	<b>Non pay expenditure Premises £</b>	<b>Other costs £</b>	<b>Total 2014 £</b>
<b>Academy's educational operations</b>				
Direct costs	4,074,203	284,571	507,945	4,866,719
Allocated support costs	569,782	1,173,910	354,825	2,098,517
	<u>4,643,985</u>	<u>1,458,481</u>	<u>862,770</u>	<u>6,965,236</u>
Governance costs including allocated support costs	-	-	8,100	8,100
Other costs on conversion	-	-	11,875	11,875
	<u>4,643,985</u>	<u>1,458,481</u>	<u>882,745</u>	<u>6,985,211</u>

	<b>Total 2014 £</b>
Incoming/(outgoing) resources for the period include :	
Operating leases	
- plant and machinery	28,908
- PFI contract	762,829
Fees payable to auditor	
- audit	<u>7,000</u>

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**7. Charitable activities**

	Unrestricted funds £	Restricted pension fund £	Other restricted funds £	Total 2014 £
<b>Direct costs - educational operations</b>				
Teaching and educational support staff	-	-	4,074,203	4,074,203
Depreciation	-	-	284,571	284,571
Technology costs	-	-	35,103	35,103
Educational supplies	51,588	-	138,263	189,851
Examination fees	-	-	52,398	52,398
Staff development	-	-	65,065	65,065
Educational consultancy	-	-	100,575	100,575
Other direct costs	-	-	64,953	64,953
	<u>51,588</u>	<u>-</u>	<u>4,815,131</u>	<u>4,866,719</u>
<b>Allocated support costs - educational operations</b>				
Support staff	-	46,000	523,782	569,782
Depreciation	-	-	135,015	135,015
Technology costs	-	-	42,506	42,506
Recruitment and support	-	-	14,581	14,581
Maintenance of premises and equipment	-	-	857,029	857,029
Rates and water	-	-	66,398	66,398
Energy costs	-	-	88,824	88,824
Insurance	-	-	25,268	25,268
Security and transport	-	-	1,376	1,376
Catering	-	-	135,004	135,004
Other support costs	-	-	174,609	174,609
	<u>-</u>	<u>46,000</u>	<u>2,064,392</u>	<u>2,110,392</u>
<b>Total direct and support costs</b>	<u>51,588</u>	<u>46,000</u>	<u>6,879,523</u>	<u>6,977,111</u>

**8. Governance costs**

	Restricted funds £	Total 2014 £
Legal and professional fees	1,100	1,100
Auditor's remuneration audit of financial statements	7,000	7,000
	<u>8,100</u>	<u>8,100</u>

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**9. Staff costs**

**a) Staff costs**

Staff costs during the period were:

	<b>Total 2014 £</b>
Wages and salaries	3,638,048
Social security costs	283,677
Pension costs	
Teachers' pension scheme	378,537
Local government pension scheme	175,494
	<u>4,475,756</u>
Supply staff costs	168,229
	<u><u>4,643,985</u></u>

**b) Staff numbers**

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

	<b>2014 Number</b>
<b>Charitable activities</b>	
Teachers	64
Administration and support	31
Management	7
	<u>102</u>

**c) Higher paid staff**

	<b>2014 Number</b>
The number of employees whose emoluments exceeded £65,000 for a 13 month period was :	
£60,001 - £70,000	1
£70,001 - £80,000	3
£120,001 - £130,000	<u>1</u>

These employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2014, employer's pension contributions for these employees amounted to £59,968.

**10. Related Party Transactions - Trustees' remuneration and expenses**

The head teacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees.

**Yardleys School**  
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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**10. Related Party Transactions - Trustees' remuneration and expenses (continued)**

The value of trustees' remuneration for the 13 month period was as follows :

M R Hughes (head teacher and trustee)	£125,000 - £130,000
R Johnson (staff trustee)	£50,000 - £55,000
J Wilson (staff trustee)	£45,000 - £50,000

During the period ended 31 August 2014, no travel and subsistence expenses were reimbursed to trustees. Other related party transactions involving the trustees are set out in note 25.

**11. Trustees' and officers' insurance**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ended 31 August 2014 was £1,449. The cost of this insurance is included in the total insurance cost.

<b>12. Tangible fixed assets</b>	<b>Long leasehold property £</b>	<b>Fittings and equipment £</b>	<b>Computer equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost or valuation</b>					
Assets transferred on conversion at valuation	15,618,800	254,982	47,129	25,033	15,945,944
Other additions at cost	69,341	99,539	149,534	-	318,414
At 31 August 2014	<u>15,688,141</u>	<u>354,521</u>	<u>196,663</u>	<u>25,033</u>	<u>16,264,358</u>
<b>Depreciation</b>					
Charge for the period	339,910	38,406	70,307	6,780	455,403
At 31 August 2014	<u>339,910</u>	<u>38,406</u>	<u>70,307</u>	<u>6,780</u>	<u>455,403</u>
<b>Net book values</b>					
At 31 August 2014	<u>15,348,231</u>	<u>316,115</u>	<u>126,356</u>	<u>18,253</u>	<u>15,808,955</u>

Leasehold property was valued at 29 May 2014 by The Valuation Office Agency – DVS and the fittings and equipment and computer equipment were valued as at the same date by the trustees. The basis on which the valuations were made was depreciated replacement cost.

	<b>Long leasehold property £</b>	<b>Fittings and equipment £</b>	<b>Computer equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
Cost or valuation at 31 August 2014 is represented by :					
Valuation in 2014	15,618,800	254,982	47,129	25,033	15,945,944
Cost	69,341	99,539	149,534	-	318,414
	<u>15,688,141</u>	<u>354,521</u>	<u>196,663</u>	<u>25,033</u>	<u>16,264,358</u>

The trust's acquisitions relating to land and buildings included the taking up of a leasehold on Yardleys School for over a term of 125 years.

**Yardleys School**  
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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**13. Debtors**

	<b>Total 2014 £</b>
Debtors from operations	3,568
VAT recoverable	104,251
Prepayments and accrued income	124,191
	<u>232,010</u>

**14. Creditors**

	<b>Total 2014 £</b>
<b>(a) Amounts falling due within one year :</b>	
Accruals and accrued income	273,400
Other creditors	61,494
	<u>334,894</u>
 <b>(b) Amounts falling due after more than one year :</b>	
Other creditors	<u>193,981</u>

Other creditors includes amounts due to Birmingham City Council for obligations under PFI contracts. Yardleys School have agreed to pay the Council amounts for maintenance of buildings, and for assets other than property acquired on conversion. The arrangements are for 17 years for the FM contract.

**15. Funds**

	<b>Incoming resources £</b>	<b>Resources expended £</b>	<b>Gains, losses and transfers £</b>	<b>Balance at 31 August 2014 £</b>
<b>Restricted general funds</b>				
General Annual Grant (GAG)	6,746,651	(5,808,107)	(277,054)	661,490
Other DfE/EFA grants	639,568	(639,568)	-	-
Other local authority	19,362	(19,362)	-	-
Other government grants	1,000	(1,000)	-	-
	<u>7,406,581</u>	<u>(6,468,037)</u>	<u>(277,054)</u>	<u>661,490</u>

**Yardleys School**  
**(A Company Limited by Guarantee)**

**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**15. Funds (continued)**

	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2014 £
<b>Restricted fixed asset funds</b>				
Assets transferred on conversion	15,724,424	(365,661)	-	15,358,763
DfE/EFA capital grants	19,609	-	-	19,609
Capital expenditure from GAG	-	(61,264)	277,054	215,790
PFI provider	6,000	7,339	-	13,339
	<u>15,750,033</u>	<u>(419,586)</u>	<u>277,054</u>	<u>15,607,501</u>
<b>Restricted pension funds</b>				
Deficit on conversion	(1,206,000)	-	-	(1,206,000)
Net actuarial movements	-	(46,000)	(205,000)	(251,000)
	<u>(1,206,000)</u>	<u>(46,000)</u>	<u>(205,000)</u>	<u>(1,457,000)</u>
<b>Total restricted funds</b>	<u>21,950,614</u>	<u>(6,933,623)</u>	<u>(205,000)</u>	<u>14,811,991</u>
<b>Unrestricted funds</b>				
Assets transferred on conversion	1,808,510	-	-	1,808,510
Other income	52,628	(51,588)	-	1,040
<b>Total unrestricted funds</b>	<u>1,861,138</u>	<u>(51,588)</u>	<u>-</u>	<u>1,809,550</u>
<b>Total funds</b>	<u>23,811,752</u>	<u>(6,985,211)</u>	<u>(205,000)</u>	<u>16,621,541</u>

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

**Restricted general funds**

These comprise all restricted funds other than restricted fixed asset funds and include grants from The Education Funding Agency and Birmingham City Council.

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 2014.

The trust is carrying a net surplus of £661,490 on restricted general funds (excluding pension reserve) as at 31 August 2014.

**Unrestricted funds**

These comprise resources that may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees.

The trust is carrying a net surplus of £1,809,550 on unrestricted funds as at 31 August 2014.

**Restricted fixed asset funds**

These comprise resources which are to be applied to specific capital purposes imposed by The Education Funding Agency and Birmingham City Council where the asset acquired or created is held for a specific purpose.

**Yardleys School**  
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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**16. Analysis of net assets between funds**

Fund balances at 31 August 2014 are represented by:	Unrestricted funds £	Restricted pension funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	-	15,808,955	15,808,955
Current assets	1,809,550	-	983,316	5,595	2,798,461
Current liabilities	-	-	(321,826)	(13,068)	(334,894)
	<u>1,809,550</u>	<u>-</u>	<u>661,490</u>	<u>15,801,482</u>	<u>18,272,522</u>
Creditors due after one year	-	-	-	(193,981)	(193,981)
Pension scheme liability	-	(1,457,000)	-	-	(1,457,000)
<b>Total net assets</b>	<u>1,809,550</u>	<u>(1,457,000)</u>	<u>661,490</u>	<u>15,607,501</u>	<u>16,621,541</u>

**17. Capital commitments**

There were no capital commitments at 31 August 2014.

**18. Financial commitments**

At 31 August 2014 the academy trust had annual financial commitments under non-cancellable contracts as follows:

	Non- cancellable commitments 2014 £	Operating leases 2014 £
Expiring within one year	-	236
Expiring within two to five years inclusive	-	108,595
Expiring in over five years	<u>742,680</u>	<u>-</u>
	<u>742,680</u>	<u>108,831</u>

**19. Reconciliation of net income to net cash inflow from operating activities**

	Total 2014 £
Net income/(expenditure)	16,826,541
Depreciation (note 12)	455,403
Capital grants from DfE and other capital income	(19,609)
Cash transferred on conversion to academy trust (note 26)	(1,808,510)
Assets transferred on conversion to academy trust (note 26)	(15,724,424)
Assets transferred under PFI contracts	(221,520)
Interest receivable (note 4)	(5,181)
FRS 17 pension deficit on conversion (note 26)	1,206,000
FRS 17 actuarial movements (note 24)	46,000
Increase in debtors	(232,010)
Increase in creditors	528,875
<b>Net cash inflow from operating activities</b>	<u>1,051,565</u>

**Yardleys School**  
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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

	<b>Total 2014 £</b>
<b>20. Returns on investments and servicing of finance</b>	
Interest received	5,181
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>5,181</u>

	<b>Total 2014 £</b>
<b>21. Capital expenditure and financial investment</b>	
Purchase of tangible fixed assets	(318,414)
Capital grants from DfE and other capital income	19,609
<b>Net cash (outflow) from capital expenditure and financial investment</b>	<u>(298,805)</u>

	<b>Cash flows £</b>	<b>At 31 August 2014 £</b>
<b>22. Analysis of changes in net funds</b>		
Cash at bank and in hand	2,566,451	2,566,451
	<u>2,566,451</u>	<u>2,566,451</u>

**23. Member's liability**

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

**24. Pension and similar obligations**

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Pension Fund. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2013.

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



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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**24. Pension and similar obligations (continued)**

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme governed by the Teachers' Pensions Regulations (2010) and, from 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 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**

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 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.

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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**24. Pension and similar obligations (continued)**

**Valuation of the Teachers' Pension Scheme (continued)**

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

**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 the 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.

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 were to be phased in since April 2012 on a 40:80:100% basis.

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

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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**24. Pension and similar obligations (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £181,655, of which employer's contributions totalled £137,757 and employees' contributions totalled £43,898. The agreed contribution rates for future years are 13% for employers and 5.5% to 11.4% 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 1 the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the 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.

**Principal actuarial assumptions**

**At 31  
August 2014**

Rate of increase in salaries	3.95%
Rate of increase for pensions in payment / inflation	2.20%
Discount rate for scheme liabilities	4.00%
Inflation assumption (CPI)	2.20%

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**

Retiring today	
Males	22.9
Females	25.5
Retiring in 20 years	
Males	25.1
Females	27.8

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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**24. Pension and similar obligations (continued)**

**Local Government Pension Scheme (continued)**

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

	<b>Expected return at 31 August 2014</b>	<b>Fair value at 31 August 2014 £</b>
Equities	7.00%	85,000
Government bonds	2.90%	15,000
Other bonds	3.80%	19,000
Property	6.20%	16,000
Cash	0.50%	8,000
Other	7.11%	44,000
<b>Total market value of assets</b>		<b>187,000</b>
 Present value of scheme liabilities		
- Funded		(1,644,000)
 <b>Surplus/(deficit) in the scheme</b>		<b>(1,457,000)</b>

The expected rate of return on the Scheme assets is based on market expectations at the beginning of the period.

The actual return on the Scheme assets was £6,000.

	<b>2014 £</b>
<b>Amounts recognised in the statement of financial activities</b>	
Current service cost (net of employee contributions)	121,000
<b>Total operating charge</b>	<b>121,000</b>
 <b>Analysis of pension finance income/(costs)</b>	
Expected return on pension scheme assets	(4,000)
Interest on pension liabilities	67,000
<b>Pension finance income/(costs)</b>	<b>63,000</b>

The actuarial gains and losses for the current period 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 £205,000 loss.

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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**24. Pension and similar obligations (continued)**

**Local Government Pension Scheme (continued)**

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

	<b>2014 £</b>
Current service cost	121,000
Interest cost	67,000
Employee contributions	44,000
Actuarial loss	206,000
Business combinations	<u>1,206,000</u>
<b>At 31 August 2014</b>	<u><b>1,644,000</b></u>

**Movements in the fair value of academy's share of scheme assets were as follows :**

	<b>2014 £</b>
Expected return on assets	4,000
Actuarial gain	1,000
Employer contributions	138,000
Employee contributions	<u>44,000</u>
<b>At 31 August 2014</b>	<u><b>187,000</b></u>

<b>Net pension scheme liability</b>	<u><b>(1,457,000)</b></u>
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The estimated value of employer contributions for the period ended 31 August 2015 is £144,000.

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

	<b>2014 £</b>
Present value of defined benefit obligations	(1,644,000)
Fair value of share of scheme assets	<u>187,000</u>
<b>Deficit in the scheme</b>	<u><b>(1,457,000)</b></u>

<b>Experience adjustments on share of scheme assets (£)</b>	<u><b>1,000</b></u>
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<b>Experience adjustments on scheme liabilities (£)</b>	<u><b>-</b></u>
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**Yardleys School**  
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**Notes to the financial statements for the period ended 31 August 2014 (continued)**

**25. Related party transactions**

Owing to the nature of the academy trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee 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.

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

**26. Conversion to an academy trust**

On 1 August 2014, Yardleys School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Yardleys School from Birmingham City Council 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 as net income in the Statement of Financial Activities as voluntary income.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

	Restricted pension funds £	Unrestricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
Leasehold land and buildings	-	-	15,618,800	15,618,800
Other tangible fixed assets	-	-	105,624	105,624
Budget surplus on LA funds	-	1,751,580	-	1,751,580
LGPS pension (deficit)	(1,206,000)	-	-	(1,206,000)
Other identified assets	-	56,930	-	56,930
<b>Total net assets</b>	<b>(1,206,000)</b>	<b>1,808,510</b>	<b>15,724,424</b>	<b>16,326,934</b>

The transfer agreement requires the company to run the academy known as Yardleys School on the present site; transfers all property, undertakings, rights, assets whether tangible or intangible to the academy trust; and sets out the responsibilities of the academy with regards to the employees of the former local authority controlled school. The transfer included the lease of property for a period of 125 years.