

Devonshire Primary Academy
Annual Report and Financial Statements
Period Ended 31 August 2014

DEVONSHIRE PRIMARY ACADEMY

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

	Note	Unrestricted Funds	£	Restricted General Funds	£	Restricted Fixed Asset Funds	£	Total 2014 £
Incoming Resources								
<i>Incoming resources from generated funds:</i>								
- Voluntary Income - transfer from Local Authority on conversion	2	0		(312,541)		7,547,978		7,235,437
- Voluntary Income - transfer from School Fund on conversion	2	7,034		20,689		0		27,723
- Voluntary Income	2	3,590		285		0		3,875
- Activities for generating funds	3	145,960		1,150		0		147,110
- Investment Income	4	522		0		0		522
<i>Incoming resources from charitable activities:</i>								
- Funding for the academy's educational operations	5	0		2,307,021		14,480		2,321,501
Total incoming resources		157,106		2,016,604		7,562,458		9,736,168
Resources Expended								
<i>Cost of generating funds:</i>								
- Costs of generating voluntary income								
- Fundraising trading	6	133,160		0		0		133,160
<i>Charitable Activities:</i>								
Academy's educational operations	6 & 7	0		2,219,917		82,156		2,302,073
Governance Costs	6 & 8	0		3,835		0		3,835
Total resources expended		133,160		2,223,752		82,156		2,439,068
Net incoming / (outgoing) resources before transfers		23,946		(207,148)		7,480,302		7,297,100
Gross transfer between funds		0		0		0		0
Net income / (expenditure) for the year		23,946		(207,148)		7,480,302		7,297,100
Other recognised gains and losses								
Actuarial (losses) gains on defined benefit pension schemes	15	0		(91,000)		0		(91,000)
Net movement in funds		23,946		(298,148)		7,480,302		7,206,100
Reconciliation of funds								
Total funds carried forward at 31 August 2014		23,946		(298,148)		7,480,302		7,206,100

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

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

DEVONSHIRE PRIMARY ACADEMY

Balance sheet as at 31 August 2014

Company Number
8597962

	Notes	2014 £	2014 £
Fixed assets			
Tangible assets	12		7,457,763
Current assets			
Debtors	13	41,560	
Cash at bank and in hand		532,625	
		574,185	
Liabilities			
Creditors: Amounts falling due within one year	14	(165,848)	
Net current assets			408,337
Total assets less current liabilities			7,866,100
Net assets excluding pension liability			
Pension scheme liability	25	(660,000)	
Net assets including pension liability			7,206,100
Fund of the academy:			
Restricted income funds			
- Fixed asset fund(s)	15		7,480,302
- General fund(s)	15		361,852
- Pension reserve	15		(660,000)
Total restricted funds			7,182,153
Unrestricted income funds			
- General fund(s)	15		23,946
Total unrestricted funds			23,946
Total funds			7,206,100

The financial statements on pages x to x were approved by the governors, and authorised for issue on xx/xx/20xx and are signed on their behalf by :

[Signed]

[Name to be typed]

[Chair]

DEVONSHIRE PRIMARY ACADEMY

Cash Flow Statement for the year ended 31 August 2014

	Notes	2014 £
Net cash inflow from operating activities	19	199,884
Cash transferred on conversion to an academy trust	19	309,679
Returns on investments and servicing of finance	20	522
Capital expenditure	21	22,539
(Decrease) / Increase in cash in the year		<u>532,625</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 31 August 2014		<u>532,625</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year 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 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 governors 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 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 it 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.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

1. Statement of Accounting Policies (continued)

▪ **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.

▪ **Land and Buildings**

The land and buildings have been transferred to the Academy on a long-term basis under a lease at peppercorn rental. The accounting treatment is in line with the relevant Statement of Standard Accounting Practice (SSAP21) and Financial Reporting Standard (FRS5). Under the terms of the lease all the risks and rewards of ownership of the assets are transferred to the Academy Trust and therefore, they are recognised on the balance sheet as a fixed asset with a corresponding entry to voluntary income as a gift in kind. A fair value of the assets has been determined based on the most recent valuation undertaken by the Local Authority (Lessor). The value of the school buildings will be depreciated in accordance with the Academy Trust's depreciation policy

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 Trustee's meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

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 accounting method.

The assets and liabilities transferred on conversion from Devonshire Primary 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 out for Devonshire Primary Academy. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

1. Statement of Accounting Policies (continued)

▪ Land and Buildings

Existing land and buildings were transferred to the academy trust under a long term lease for a peppercorn rental. Further details are provided in note 18.

▪ Other Fixed Assets

On conversion, furniture and equipment were transferred to the academy at a cost of £nil. These are included in the accounts at a fair value with a corresponding amount included in voluntary income as a gift in kind.

▪ Pensions

The actuaries for the Local Government Pension Scheme have provided a valuation of the scheme liabilities relating to the staff within the scheme who transferred from Devonshire Primary School to the academy trust on conversion. Further details of the pension scheme are provided in note 25.

▪ Other Assets

An amount equivalent to Devonshire Primary School's accumulated reserves was paid over the academy trust from the Local Authority on conversion.

Further details of the transactions are set out in note 27.

Tangible Fixed Assets

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

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

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

Freehold buildings	2% straight line basis
Long leasehold buildings	0.8% straight line basis
Fixtures, fittings and equipment	10% straight line basis
ICT equipment	33% straight line basis
Motor Vehicles	15% reducing balance basis

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.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

1. Statement of Accounting Policies (continued)

Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 25, 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 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 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.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

2. Voluntary Income

	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset £	Total 2014 £
Gifts in kind	0	0	7,498,481	7,498,481
Transfer of budget surplus on conversion from LA	0	232,459	49,497	281,956
Transfer of school funds on conversion	7,034	20,689	0	27,723
Other Donations	3,590	285	0	3,875
Transfer of pension deficit on conversion	0	(545,000)	0	(545,000)
	<u>10,624</u>	<u>(291,567)</u>	<u>7,547,978</u>	<u>7,267,035</u>

Note

Gifts in kind to the value of £7,498,481 are in the accounts to reflect the estimated value of assets transferred to the academy from the Local Authority on conversion.

3. Activities for Generating Funds

	Unrestricted Funds £	Restricted Funds £	Total 2014 £
Hire of facilities	2,475	0	2,475
Catering Income	16,605	0	16,605
Nursery / After School / Breakfast Club Income	102,703	0	102,703
Other Activities	24,177	1,150	25,327
	<u>145,960</u>	<u>1,150</u>	<u>147,110</u>

4. Investment Income

	Unrestricted Funds £	Restricted Funds £	Total 2014 £
Short term deposits	522	0	522
	<u>522</u>	<u>0</u>	<u>522</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

5. Funding for Academy's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset Funds £	Total 2014 £
DfE / EFA revenue grants				
- General Annual Grant (GAG) (note 2)	0	2,009,510	0	2,009,510
- Capital Grants	0	0	14,480	14,480
- Other DfE / EFA Grants	0	280,750	0	280,750
	<u>0</u>	<u>2,290,260</u>	<u>14,480</u>	<u>2,304,740</u>
Other Government Grants				
- Local authority grants	0	16,761	0	16,761
	<u>0</u>	<u>16,761</u>	<u>0</u>	<u>16,761</u>
	<u>0</u>	<u>2,307,021</u>	<u>14,480</u>	<u>2,321,501</u>

6. Resources Expended

	Staff Costs	Non Pay Expenditure		Total
	£	Premises £	Other Costs £	2014 £
Costs of generating voluntary income				
Costs of activities for generating funds	110,962	0	22,198	133,160
Academy's educational operations				
- Direct costs	1,621,984	82,156	122,870	1,827,010
- Allocated support costs	201,151	123,267	150,645	475,063
	<u>1,934,097</u>	<u>205,423</u>	<u>295,713</u>	<u>2,435,233</u>
Governance costs including allocated support costs	0	0	3,835	3,835
	<u>1,934,097</u>	<u>205,423</u>	<u>299,548</u>	<u>2,439,068</u>
Incoming / outgoing resources for the year include:				Total 2,014 £
Operating leases				<u>4,310</u>
				<u>4,310</u>

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Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

7. Charitable Activities

	Unrestricted Funds £	Restricted Funds £	Total 2014 £
Direct costs			
Teaching and educational support staff costs	0	1,621,984	1,621,984
Depreciation	0	82,156	82,156
Technology costs	0	20,684	20,684
Educational supplies	0	72,258	72,258
Educational consultancy	0	8,689	8,689
Staff development	0	11,635	11,635
Other direct costs	0	9,604	9,604
	<u>0</u>	<u>1,827,010</u>	<u>1,827,010</u>
Allocated support costs			
Support staff costs	0	201,151	201,151
Maintenance of premises and equipment	0	29,337	29,337
Cleaning	0	6,115	6,115
Rent and rates	0	4,480	4,480
Energy costs	0	55,285	55,285
Insurance	0	28,937	28,937
Security and transport	0	9,289	9,289
Catering	0	63,788	63,788
Other support costs	0	76,681	76,681
	<u>0</u>	<u>475,063</u>	<u>475,063</u>
	<u>0</u>	<u>2,302,073</u>	<u>2,302,073</u>

8. Governance Costs

	Unrestricted Funds £	Restricted Funds £	Total 2014 £
Legal and professional fees	0	3,835	3,835
	<u>0</u>	<u>3,835</u>	<u>3,835</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

9. Staff

a. Staff Costs

	Total 2014 £
Staff costs during the period were:	
Wages and salaries	1,584,260
Social security costs	94,564
Pension costs	231,761
	<u>1,910,585</u>
Supply teacher costs	1,953
Other staff costs	21,559
	<u>1,934,097</u>

b. Staff severance payments

There are no non-statutory/non-contractual severance payments included in the costs above.

c. Staff numbers

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

	2014 No.
Charitable Activities	
Teachers	26.8
Administration and support	35.4
Management	3.5
	<u>65.7</u>

d. Higher paid staff

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

	2014 No.
£80,000 - £90,000	<u>1</u>

The above employee participated in the Teachers' Pension Scheme. During the year ended 31 August 2014, pension contributions for this employee amounted to £10,900.

10. Related Party Transactions – Trustees' Remuneration and Expenses

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

Neil Hodgkins (Principal and trustee):	£80,000 - £85,000
Andrew Brannigan (staff trustee):	£35,000 - £45,000
Rachel Thomas (staff trustee):	£20,000 - £25,000
Julie Wall (staff trustee):	£10,000 - £15,000

Other related party transactions involving the trustees are set out in note 26.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

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 £1,000,000 on any one claim and the cost for the year ended 31 August 2014 was £2,650. The cost of this insurance is met by the MAT

12. Tangible Fixed Assets

	Freehold land & Buildings £	Leasehold Land & Buildings £	Furniture & Equipment £	Computer Equipment £	Motor Vehicle £	Total £
Cost						
At 1 September 2013	0	0	0	0	0	0
Transfer on conversion	0	7,382,144	84,800	31,537	0	7,498,481
Additions	0	0	0	41,438	0	41,438
Disposals	0	0	0	0	0	0
At 31 August 2014	0	7,382,144	84,800	72,975	0	7,539,919
Depreciation						
At 1 September 2013	0	0	0	0	0	0
Charged in year	0	59,056	8,484	14,616	0	82,156
Disposals	0	0	0	0	0	0
At 31 August 2014	0	59,056	8,484	14,616	0	82,156
Net Book Values						
At 31 August 2014	0	7,323,088	76,316	58,359	0	7,457,763

13. Debtors

	2014 £
Trade debtors	
VAT recoverable	29,790
Prepayments and accrued income	11,770
	<u>41,560</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

14. Creditors: Amounts Falling due within one Year

	2014 £
Trade creditors	48,316
PAYE & NIC creditor	28,136
Other taxation and social security	27,109
Other creditors	934
Accruals and deferred income	61,353
	<u>165,848</u>

Deferred income

	2014 £
Deferred income at 1 September 2013	0
Resources deferred in the year	23,306
Amounts released from previous years	0
Deferred income at 31 August 2014	<u>23,306</u>

Deferred income relates to the Universal Impact Free School Meals Grant for academic year 2014/15 (£20k) and the unspent element of the Sports Grant for financial year 2014/15 (£3k).

15. Funds

	Balance at 1 September 2013 £	Incoming Resources £	Resources Expended £	Gains, Losses and Transfers £	Balance at 31 August 2014 £
Restricted general funds					
General Annual Grant (GAG)	0	2,009,510	(1,899,934)		109,576
Start Up Grant	0	20,689	(13,034)	0	7,655
Other DfE/EFA Grants	0	280,750	(280,750)	0	0
Other Restricted Income	0	250,655	(6,034)	0	244,621
Pension Reserve	0	(545,000)	(24,000)	(91,000)	(660,000)
	<u>0</u>	<u>2,016,604</u>	<u>(2,223,752)</u>	<u>(91,000)</u>	<u>(298,148)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	0	63,977	(4,104)	0	59,873
Donations in kind	0	7,498,481	(78,052)	0	7,420,429
	<u>0</u>	<u>7,562,458</u>	<u>(82,156)</u>	<u>0</u>	<u>7,480,302</u>
Total restricted funds	<u>0</u>	<u>9,579,062</u>	<u>(2,305,908)</u>	<u>(91,000)</u>	<u>7,182,154</u>
Unrestricted funds					
Unrestricted funds	0	157,106	(133,160)		23,946
Total unrestricted funds	<u>0</u>	<u>157,106</u>	<u>(133,160)</u>	<u>0</u>	<u>23,946</u>
Total funds	<u>0</u>	<u>9,736,168</u>	<u>(2,439,068)</u>	<u>(91,000)</u>	<u>7,206,100</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

15. Funds (Continued)

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

General Annual Grant must be used for the normal running costs of the academy. 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.

Start-up Grant is to be used for costs related to academy conversion. The grant was received by Devonshire Primary School prior to conversion and the unspent balance was transferred to the academy from the Local Authority as part of the school reserves.

"Other DfE/EFA Grants include:

Pupil Premium Grant which provides additional support for children receiving free school meals, service children and looked after children.

The Sports Grant which is designed to help primary schools improve the quality of the PE and sports activities they offer their pupils."

"Other Restricted Income includes:

The transfer of the school reserves from the Local Authority on conversion and additional Local Authority SEN support for specific pupils.

16. Analysis of Net Assets between Funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Tangible fixed assets	0		7,457,763	7,457,763
Current assets	23,946	527,700	22,539	574,185
Current liabilities	0	(165,848)	0	(165,848)
Pension scheme liability	0	(660,000)	0	(660,000)
Total net assets	23,946	(298,148)	7,480,302	7,206,100

17. Capital Commitments

There were no capital commitments at 31 August 2014.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

18. Financial Commitments

Operating leases

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

	2014 £
<u>Land and buildings</u>	
Expiring within one year	0
expiring within two and five years inclusive	0
Expiring in over five years	0
	<hr/> 0
<u>Other</u>	
Expiring within one year	0
expiring within two and five years inclusive	4,310
Expiring in over five years	0
	<hr/> 4,310

On conversion the existing school premises were leased to the academy from the Local Authority on a long term lease with a peppercorn rental. Under the terms of the lease all risks and rewards of ownership of the asset are substantially transferred to the academy and therefore, they have been recognised on the balance sheet as a fixed asset with a corresponding entry to voluntary income as a gift in kind.

19. Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2014 £
Net income	7,297,100
Cash transferred on conversion to academy trust	(309,679)
Pension deficit transferred on conversion to academy trust	545,000
Depreciation (Note 12)	82,156
Capital gifts in kind	(7,498,481)
Capital grants from DfE and other capital income	(63,977)
Interest receivable (Note 4)	(522)
FRS 17 pension cost less contributions payable (Note 25)	3,000
FRS 17 pension finance income (Note 25)	21,000
(Increase)/decrease in debtors	(41,560)
Increase/(decrease) in creditors	165,848
	<hr/>
Net cash inflow from operating activities	199,885

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

20. Returns on Investments and Servicing of Finance

	2014 £
Interest received	<u>522</u>
Net cash inflow from returns on investment and servicing of finance	<u>522</u>

21. Capital Expenditure and Financial Investment

	2014 £
Purchase of tangible fixed assets	(41,438)
Capital grants from DfE / EFA	63,977
Net cash inflow from capital expenditure and financial investment	<u>22,539</u>

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

22. Analysis of Changes in Net Funds

	At September 2013 £	Cash flows £	At 31 August 2014 £
Cash in hand and at bank	-	532,625	<u>532,625</u>
	-	532,625	<u>532,625</u>

23. Contingent Liabilities

There were no contingent liabilities at 31 August 2014.

24. Members' Liability

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

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

25. Pension and similar obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

Contributions amounting to £27,109 were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

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 Service 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 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.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

25. Pension and similar obligations (continued)

Teachers' Pension Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 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 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 total contribution made for the year ended 31 August 2014 was £91,590, of which employer's contributions totalled £67,683 and employees' contributions totalled £23,906. The agreed contribution rates for future years are 14 per cent for employers and will range between 5.5 per cent and 12.5 per cent for employees dependant on their salary.

Devonshire Primary Academy has entered into an agreement to make additional contributions in addition to normal funding levels as follows:

1 April 2014 – 31 March 2015	£29,600
1 April 2015 – 31 March 2016	£30,800
1 April 2016 – 31 March 2017	£32,100

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

25. Pension and similar obligations (continued)

	At 31 August 2014
Principal Actuarial Assumptions	
Rate of increase in salaries	3.7%
Rate of increase for pensions in payment / inflation	2.2%
Discount rate for scheme liabilities	4.0%
Inflation assumption (CPI)	2.2%
Commutation of pensions to lump sums	50.0%

A sensitivity analysis for the principle assumptions used to measure scheme liabilities, shows that an increase of 0.1% per annum in the discount rate would reduce the deficit by £26,000. An increase of 0.1% per annum in inflation would increase the pension deficit by £25,000 and an increase of 1 year in life expectancy would increase the deficit by £20,000.

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
<i>Retiring today</i>	
Males	22.8
Females	25.3
<i>Retiring in 20 years</i>	
Males	25.0
Females	27.7

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

	Expected return at 31 August 2014	Fair value at 31 August 2014 £'000s
Equities	7.0%	262
Government Bonds	2.9%	1
Other Bonds	3.8%	140
Property	6.2%	50
Cash/Liquidity	0.5%	13
Other	7.0%	60
Total market value of assets		526
Present value of scheme liabilities		
- Funded		(1,186)
Surplus / (deficit) in the scheme		(660)

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

25. Pension and similar obligations (continued)

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual assets classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on Government bonds is the yield on 20 year fixed interest gilts at the relevant date. As at 31 August 2014 the yield was 2.9% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant dates, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 August 2014 the expected return has been taken as 3.8% p.a., which implies a reduction for the risk of default of 0.1% p.a. when compared with the corporate bond yield/discount rate appropriate to the "mature" deviation profile for example.

It is generally accepted that the yield on equity investments will contain an "equity risk premium" in addition to the yield on Government Bonds, which are perceived as the "least-risk" investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average.

However, the level of equity risk premium can vary from time to time dependant on market levels and expectations for future returns. The overall expected return on equities as at 31 August 2014 has been taken as 7% p.a., implying an equity risk premium on equities of 3.6% p.a. over and above the gilt yield of 3.4% p.a.

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

The actual return on scheme assets was £35,000.

Amounts recognised in the statement of financial activities

2014
£

Current service cost (net of employee contributions)

58

Past service cost

0

Total operating charge

58

Analysis of pension finance income / (costs)

2014
£

Expected return on pension scheme assets

24

Interest on pension liabilities

(45)

Pension finance income / (costs)

(21)

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 nil.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

25. Pension and similar obligations (continued)

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

	2014 £
Inherited on conversion to Academy	908
Current service cost	82
Interest cost	45
Employee contributions	24
Actuarial (gain) / loss	102
Benefits paid	25
Past service cost	0
Curtailments and settlements	0
At 31 August	<u>1,186</u>

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

	2014 £
Inherited on conversion to Academy	363
Expected return on assets	24
Actuarial gain / (loss)	11
Employer contributions	79
Employee contributions	24
Benefits paid	25
At 31 August	<u>526</u>

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

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

	2014 £
Present value of defined benefit obligations	1,186
Fair value of share of scheme assets	(526)
Deficit in the scheme	<u>660</u>
Experience adjustments on share of scheme assets:	
Amount £000	11
Experience adjustments on share of scheme liabilities:	
Amount £000	0

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2014 (continued)

26. Related Party Transactions

Owing to the nature of the academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

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

27. Conversion to an Academy Trust

	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset Funds £	2014 £
Tangible fixed assets				
- Leasehold land and buildings	0	0	7,382,144	7,382,144
- Other tangible fixed assets	0	0	116,337	116,337
Budget Surplus/(Deficit) on LA funds	0	232,459	49,497	281,956
Budget Surplus/(Deficit) on other school funds	7,034	20,689	0	27,723
LGPS Pension surplus/(deficit)	0	(545,000)	0	(545,000)
Net Assets/ Liabilities	7,034	(291,852)	7,547,978	7,263,160

The above net assets / liabilities include £309,679 that was transferred as cash.