

Devonshire Primary Academy
Annual Report and Financial Statements
Period Ended 31 August 2015

DEVONSHIRE PRIMARY ACADEMY

Statement of Financial Activities for the Year Ended 31st August 2015

(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2015 £	Total 2014 £
Incoming Resources						
<i>Incoming resources from generated funds:</i>						
- Voluntary Income - transfer from Local Authority on conversion	2	0	0	0	0	7,235,437
- Voluntary Income - transfer from School Fund on conversion	2	0	0	0	0	27,723
- Voluntary Income	2	15	1,546	0	1,561	3,875
- Activities for generating funds	3	142,680	2,768	0	145,448	147,110
- Investment Income	4	721	0	0	721	522
<i>Incoming resources from charitable activities:</i>						
- Funding for the academy's educational operations	5	0	0	0	0	
		0	2,509,360	3,874	2,513,234	2,321,501
Total incoming resources		143,416	2,513,674	3,874	2,660,964	9,736,168
Resources Expended						
<i>Cost of generating funds:</i>						
- Costs of generating voluntary income						
- Fundraising trading	6	107,079	0	0	107,079	133,160
<i>Charitable Activities:</i>						
Academy's educational operations	6 & 7	0	2,341,511	99,501	2,441,012	2,302,073
Governance Costs	6 & 8	0	8,926	0	8,926	3,835
Total resources expended		107,079	2,350,437	99,501	2,557,017	2,439,068
Net incoming / (outgoing) resources before transfers		36,337	163,237	(95,627)	103,947	7,297,100
Gross transfer between funds		0	(9,962)	9,962	0	0
Net income / (expenditure) for the year		36,337	153,275	(85,665)	103,947	7,297,100
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes	16	0	(40,000)	0	(40,000)	(91,000)
Net movement in funds		36,337	113,275	(85,665)	63,947	7,206,100
Reconciliation of funds						
Total funds brought forward at 1 September 2014		23,946	(298,148)	7,480,302	7,206,100	
Total funds carried forward at 31 August 2015		60,283	(184,873)	7,394,637	7,270,047	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 Statement of Financial Activity.

DEVONSHIRE PRIMARY ACADEMY

Balance sheet as at 31 August 2015

Company Number
9E+06

	Notes	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	12		7,394,637		7,457,763
Current assets					
Stock	13	9,562			
Debtors	14	96,766		41,560	
Cash at bank and in hand	23	689,686		532,625	
		<u>796,014</u>		<u>574,185</u>	
Liabilities					
Creditors: Amounts falling due within one year	15	(192,604)		(165,848)	
Net current assets			<u>603,410</u>		<u>408,337</u>
Total assets less current liabilities			7,998,047		7,866,100
Net assets excluding pension liability					
Pension scheme liability	26		(728,000)		(660,000)
Net assets including pension liability			<u>7,270,047</u>		<u>7,206,100</u>
Fund of the academy:					
Restricted income funds					
- Fixed asset fund	16		7,394,637		7,480,302
- General fund	16		543,127		361,852
- Pension reserve	16		(728,000)		(660,000)
Total restricted funds			<u>7,209,764</u>		<u>7,182,154</u>
Unrestricted income funds					
- General fund			<u>60,283</u>		<u>23,946</u>
Total unrestricted funds			<u>60,283</u>		<u>23,946</u>
Total funds			<u>7,270,047</u>		<u>7,206,100</u>

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 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	20	188,841	199,884
Cash transferred on conversion to an academy trust	20	0	309,679
Returns on investments and servicing of finance	21	721	522
Capital expenditure	22	(32,501)	22,539
(Decrease) / Increase in cash in the year		<u>157,061</u>	<u>532,625</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2014		<u>532,625</u>	<u>0</u>
Net funds at 31 August 2015		<u>689,686</u>	<u>532,625</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015

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.

- **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.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

1. Statement of Accounting Policies (continued)

- **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.

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 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 over 6 years

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

1. Statement of Accounting Policies (continued)

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 straight line basis over the lease term.

Stock

Unsold uniforms are valued at the lower of cost or net realisable value.

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 26, 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.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

1. Statement of Accounting Policies (continued)

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency

2. Voluntary Income

	Unrestricted Funds £	Restricted Funds £	Restricted FA Funds £	Total 2015 £	Total 2014 £
Gifts in kind	0	0	0	0	7,498,481
Transfer of budget surplus on conversion from LA	0	0	0	0	281,956
Transfer of school funds on conversion	0	0	0	0	27,723
Other Donations	15	1,546	0	1,561	3,875
Transfer of pension deficit on conversion	0	0	0	0	(545,000)
	<u>15</u>	<u>1,546</u>	<u>0</u>	<u>1,561</u>	<u>7,267,035</u>

3. Activities for Generating Funds

	Unrestricted Funds £	Restricted Funds £	Restricted FA Funds £	Total 2015 £	Total 2014 £
Hire of Facilities	4,248	0	0	4,248	2,475
Catering Income	816	0	0	816	16,605
Contributions to Trips	11,191	0	0	11,191	0
Nursery/ After School/ Breakfast Club Income	105,021	0	0	105,021	102,703
Other Activities	19,872	2,768	0	22,640	25,327
Music Income	1,532	0	0	1,532	0
	<u>142,680</u>	<u>2,768</u>	<u>0</u>	<u>145,448</u>	<u>147,110</u>

4. Investment Income

	Unrestricted Funds £	Restricted Funds £	Restricted FA Funds	Total 2015 £	Total 2014 £
Short term deposits	721	0	0	721	522
	<u>721</u>	<u>0</u>	<u>0</u>	<u>721</u>	<u>522</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

5. Funding for Academy's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Restricted FA Funds £	Total 2015 £	Total 2014 £
DfE / EFA revenue grants					
- General Annual Grant (GAG)	0	1,976,973	0	1,976,973	2,009,510
- Capital Grants	0	0	3,874	3,874	14,480
- Other DfE / EFA Grants	0	520,262	0	520,262	280,750
	0	2,497,235	3,874	2,501,109	2,304,740
Other Government Grants					
- Local authority grants	0	5,566	0	5,566	16,761
	0	5,566	0	5,566	16,761
Other Grants					
- Other grants	0	6,559	0	6,559	0
	0	6,559	0	6,559	0
	0	2,509,360	3,874	2,513,234	2,321,501

6. Resources Expended

	Staff Costs £	Non Pay Expenditure Premises £	Other Costs £	Total 2015 £	Total 2014 £
Costs of generating voluntary income					
Costs of activities for generating funds	102,495	0	4,584	107,079	133,160
Academy's educational operations					
- Direct costs	1,628,814	0	204,991	1,833,805	1,827,010
- Allocated support costs	300,312	131,410	175,485	607,207	475,063
	2,031,621	131,410	385,060	2,548,091	2,435,233
Governance costs including allocated support costs	0	0	8,926	8,926	3,835
	2,031,621	131,410	393,986	2,557,017	2,439,068

	Total 2015 £	Total 2014 £
Net income (expenditure) for the period includes:		
Operating leases	4310	4,310

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Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

7. Charitable Activities

	Total 2015 £	Total 2014 £
Direct costs		
Teaching and educational support staff costs	1,615,671	1,621,984
Depreciation	99,501	82,156
Technology costs	9,295	20,684
Educational supplies	65,757	72,258
Staff development	12,630	11,635
Educational consultancy	11,719	8,689
Other direct costs	19,232	9,604
	<u>1,833,805</u>	<u>1,827,010</u>
Support costs		
Support staff costs	270,362	201,151
Maintenance of premises and equipment	38,391	29,337
Cleaning	8,432	6,115
Rent and rates	9,341	4,480
Energy costs	64,584	55,285
Insurance	12,558	28,937
Security and transport	7,128	9,289
Catering	100,572	63,788
Other support costs	95,839	76,681
	<u>607,207</u>	<u>475,063</u>
Total direct and support costs	<u>2,441,012</u>	<u>2,302,073</u>

8. Governance Costs

	Total 2015 £	Total 2014 £
Legal and professional fees	8,926	3,835
	<u>8,926</u>	<u>3,835</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

9. Staff

a. Staff Costs

	Total 2015 £	Total 2014 £
Staff costs during the period were:		
Wages and salaries	1,655,078	1,584,260
Social security costs	101,913	94,564
Pension costs	230,408	231,761
	<u>1,987,399</u>	<u>1,910,585</u>
Supply teacher costs	1,129	1,953
Other Staff costs	43,093	21,559
Staff restructuring costs		
	<u>2,031,621</u>	<u>1,934,097</u>

b. Staff numbers

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

	2015 No.	2014 No.
Charitable Activities		
Teachers	23.9	26.8
Administration and support	38.1	35.4
Management	3.5	3.5
	<u>65.5</u>	<u>65.7</u>

c. Higher paid staff

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

	2015 No.	2014 No.
£80,000 - £90,000	1	1
	<u>1</u>	<u>1</u>

The above employee participated in the Teachers' Pension Scheme. During the year ended 31 August 2015, pension contributions for this employee amounted to £ 11,550 (2014 £10,900)

10. Related Party Transactions – Trustees' Remuneration and Expenses

One or more trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and staff trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff members under their contracts of employment, and not in respect of their services as trustees.. The value of trustees' remuneration and other benefits was as follows:

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Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

Neil Hodgkins (Principal and trustee):

Remuneration £80,000 - £85,000 (2014: £80,000 - £85,000)
 Employer's pension contributions £10,000 - £15,000 (2014: £10,000 - £15,000)

Andrew Brannigan (staff trustee):

Remuneration £35,000 - £40,000 (2014: £40,000 - £45,000)
 Employer's pension contributions £5,000 - £10,000 (2014: £5,000 - £10,000)

Rachel Thomas (staff trustee):

Remuneration £20,000 - £25,000 (2014: £20,000 - £25,000)
 Employer's pension contributions £0 - £5,000 (2014: £0 - £5,000)

Julie Ward (staff trustee):

Remuneration £10,000 - £15,000 (2014: £10,000 - £15,000)
 Employer's pension contributions £0 - £5,000 (2014: £0 - £5,000)

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

11. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost of this insurance is met by the MAT

12. Tangible Fixed Assets

	Leasehold Land & Buildings £	Furniture & Equipment £	Computer Equipment £	Total £
Cost				
At 1 September 2014	7,382,144	84,800	72,975	7,539,919
Additions	0	0	36,375	36,375
Disposals	0	0	0	0
At 31 August 2015	7,382,144	84,800	109,350	7,576,294
Depreciation				
At 1 September 2014	59,056	8,484	14,616	82,156
Charged in year	59,052	8,480	31,969	99,501
Disposals	0	0	0	0
At 31 August 2015	118,108	16,964	46,585	181,657
Net Book Values				
At 31 August 2015	7,264,036	67,836	62,765	7,394,637

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Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

13. Stock

	2015 £	2014 £
Clothing	9,562	0
	<u>9,562</u>	<u>0</u>

14. Debtors

	2015 £	2014 £
Trade debtors		
VAT recoverable	8,749	29,790
Prepayments and accrued income	88,017	11,770
	<u>96,766</u>	<u>41,560</u>

15. Creditors: Amounts Falling due within one Year

	2015 £	2014 £
Trade creditors	0	48,316
Taxation and social security	62,659	55,245
Other creditors	1,092	934
Accruals and deferred income	128,853	61,353
	<u>192,604</u>	<u>165,848</u>

	2015 £	2014 £
Deferred income at 1 September 2014	23,306	0
Resources deferred in the year	66,951	23,306
Amounts released from previous years	(23,306)	0
Deferred income at 31 August 2015	<u>66,951</u>	<u>23,306</u>

At the balance sheet date the academy was holding funds received in advance for Early Years, School Improvement, Universal Infant Free School Meals and Devolved Formula Capital Grant.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

16. Funds

	Balance at 1 September 2014 £	Incoming Resources £	Resources Expended £	Gains, Losses and Transfers £	Balance at 31 August 2015 £
Restricted general funds					
General Annual Grant (GAG)	109,576	1,976,973	(1,915,088)	(9,962)	161,499
Start Up Grant	7,655	0	0	0	7,655
Other DfE/EFA Grants	0	520,262	(407,349)	0	112,913
Other Restricted Income	244,621	16,439	0	0	261,060
Pension Reserve	(660,000)	0	(28,000)	(40,000)	(728,000)
	(298,148)	2,513,674	(2,350,437)	(49,962)	(184,873)
Restricted fixed asset funds					
DfE/EFA capital grants	59,873	3,874	(19,362)	0	44,385
Capital expenditure from GAG	0	0	(2,093)	9,962	7,869
Donations in kind	7,420,429	0	(78,046)	0	7,342,383
	7,480,302	3,874	(99,501)	9,962	7,394,637
Total restricted funds	7,182,154	2,517,548	(2,449,938)	(40,000)	7,209,764
Unrestricted funds					
Unrestricted funds	23,946	143,416	(107,079)	0	60,283
Total unrestricted funds	23,946	143,416	(107,079)	0	60,283
Total funds	7,206,100	2,660,964	(2,557,017)	(40,000)	7,270,047

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 2015.

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."

Universal Infant Free School Meal Grant which enables each child in the infants to receive a lunch time meal.

"Other Restricted Income includes high needs funding and additional Local Authority SEN support for specific pupils.

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

17. Analysis of Net Assets between Funds

Fund balances at 31 August 2015 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	0	0	7,394,637	7,394,637
Current assets	60,283	735,731	0	796,014
Current liabilities	0	(192,604)	0	(192,604)
Pension scheme liability	0	(728,000)	0	(728,000)
Total net assets	60,283	(184,873)	7,394,637	7,270,047

19. Capital Commitments

	2015 £	2014 £
Contracted for, but not provided in the financial statements	0	0

19. Financial Commitments

Operating leases

At 31 August 2015 the academy had annual commitments under non-cancellable operating leases as follows:

	2015 £	2014 £
Land and buildings		
Expiring within one year	0	0
<u>Expiring within two and five years inclusive</u>	0	0
Expiring in over five years	0	0
	<u>0</u>	<u>0</u>
Other		
Expiring within one year	4,310	0
<u>Expiring within two and five years inclusive</u>	0	4,310
Expiring in over five years	0	0
	<u>4,310</u>	<u>4,310</u>

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

19. Financial Commitments (continued)

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.

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

	2015 £	2014 £
Net income	103,947	7,297,100
Cash transferred on conversion to academy trust	0	(309,679)
Pension deficit transferred on conversion to academy trust	0	545,000
Depreciation (Note 12)	99,501	82,156
Capital Gifts in Kind	0	(7,498,481)
Capital grants from DfE and other capital income	(3,874)	(63,977)
Interest receivable (Note 4)	(721)	(522)
FRS 17 pension cost less contributions payable (Note 28)	13,000	3,000
FRS 17 pension finance income (Note 28)	15,000	21,000
(Increase)/decrease in stocks	(9,562)	0
(Increase)/decrease in debtors	(55,206)	(42,560)
Increase/(decrease) in creditors	26,756	165,848
Net cash provided by / (used in) operating activities	188,841	198,885

21. Returns on Investments and Servicing of Finance

	2015 £	2014 £
Interest received	721	522
Net cash inflow from returns on investment and servicing of finance	721	522

22. Capital Expenditure and Financial Investment

	2015 £	2014 £
Purchase of tangible fixed assets	(36,375)	(42,438)
Capital grants from DfE / EFA	3,874	63,977
Net cash inflow/(outflow) from capital expenditure and financial investment	(32,501)	21,539

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

23. Analysis of Changes in Net Funds

	At September 2014 £	Cash flows £	At 31 August 2015 £
Cash in hand and at bank	532,625	157,061	689,686
Total cash and cash equivalents	532,625	157,061	689,686

24. Contingent Liabilities

There were no contingent liabilities at 31 August 2015.

25. Members' Liability

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

26. Pension and similar obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are multi-employer 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 2012 and of the LGPS 31 March 2013.

Contributions amounting to £30,143 (2014: £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.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

26. Pension and similar obligations (continued)

published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with 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 are:

- Employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- An employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be [payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £252,100 (2014 £219,800)

A copy of the valuation report and supporting documentation is on the [Teachers' Pension website](#)

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust 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 2015 was £79,561, of which employer's contributions totalled £54,168 and employees' contributions totalled £25,393. 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.

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.

Devonshire Primary Academy entered into an agreement to make additional contributions in addition to normal funding levels over a 3 year period 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 2015 (continued)

26. Pension and similar obligations (continued)

Principal Actuarial Assumptions	At 31 August 2015	At 31 August 2014
Rate of increase in salaries	3.8%	3.7%
Rate of increase for pensions in payment / inflation	2.3%	2.2%
Discount rate for scheme liabilities	4.0%	4.0%
Inflation assumption (CPI)	2.3%	2.2%
Commutation of pensions to lump sums	50.0%	50%

A sensitivity analysis for the principle assumptions used to measure scheme liabilities, shows that an increase of 1% per annum in the discount rate would reduce the deficit by £29,000. An increase of 1% per annum in inflation would increase the pension deficit by £30,000 and an increase of 1 year in life expectancy would increase the deficit by £24,000

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 2015	At 31 August 2014
<i>Retiring today</i>		
Males	22.9	22.8
Females	25.4	25.3
<i>Retiring in 20 years</i>		
Males	25.1	25
Females	27.8	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 2015	Fair value at 31 August 2015 £ 000s	Expected return at 31 August 2014	Fair value at 31 August 2014 £ 000s
Equities	6.5%	223	7.0%	262
Government Bonds	2.5%	36	2.9%	1
Other Bonds	3.6%	17	3.8%	140
Property	6.1%	59	6.2%	50
Cash/Liquidity	0.5%	8	0.5%	13
Other	6.5%	305	7.0%	60
Total market value of assets		648		526
Present value of scheme liabilities				
- Funded		(1,376)		(1,186)
Surplus / (deficit) in the scheme		(728)		(660)

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

26. 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 2015 the yield was 2.5x% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, although this will normally vary by duration, and the expected return should also take into account the risk of default in the corporate bond yield. As at 31 August 2015 the expected return has been taken to be 3.6% p.a., which implies a reduction for the risk of default of 0.3% 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 2015 has been taken as 6.5% p.a., implying an equity risk premium on equities of 4.0% p.a. over and above the gilt yield of 2.5x% 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 £22,000 (2014: £35,000)

Amounts recognised in the statement of financial activities

	2015 £ 000s	2014 £ 000s
Current service cost (net of employee contributions)	74	58
Past service cost	0	0
	<u>74</u>	<u>58</u>
Total operating charge	<u>74</u>	<u>58</u>

Analysis of pension finance income / (costs)

	2015 £ 000s	2014 £ 000s
Expected return on pension scheme assets	34	24
Interest on pension liabilities	<u>(49)</u>	<u>(45)</u>
Pension finance income / (costs)	<u>(15)</u>	<u>(21)</u>

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 £31,000 loss/gain (2014: £91,000).

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

26. Pension and similar obligations (continued)

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

	2015 £ 000s	2014 £ 000s
At 1 September	1,186	908
Current service cost	100	82
Interest cost	49	45
Employee contributions	26	24
Actuarial (gain) / loss	29	102
Benefits paid	(14)	25
Past service cost	0	0
Curtailments and settlements	0	0
At 31 August	1,376	1186

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

	2015 £ 000s	2014 £ 000s
At 1 September	526	363
Expected return on assets	34	24
Actuarial gain / (loss)	(11)	11
Employer contributions	87	79
Employee contributions	26	24
Benefits paid	(14)	25
At 31 August	648	526

The estimated value of employer contributions for the year ended 31 August 2015 is £89,000 (2014: £79,000).

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

	2015 £	2014 £
Present value of defined benefit obligations	1,376	1,186
Fair value of share of scheme assets	(648)	(526)
Deficit in the scheme	728	660
Experience adjustments on share of scheme assets:	2015	2014
Amount £000*	-11	11
Experience adjustments on share of scheme liabilities:	0	0
Amount £000*	0	0

DEVONSHIRE PRIMARY ACADEMY

Notes to the Financial Statements for the Year Ended 31 August 2015 (continued)

27. Related Party Transactions

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

No related party transactions took place in the period of account

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