

**St Mary's Church of England Primary Academy, Dilwyn  
(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**For the period to 31 August 2013**

**Company Registration Number:  
07745424 (England and Wales)**

# St Mary's Church of England Primary Academy, Dilwyn

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## **St Mary's Church of England Primary Academy, Dilwyn Reference and Administrative Details**

Trustees	J Gerrish (Dioceses) - Chairman (appointed 12/09/2013) T Hawksley (Church) Mrs M Spinks (Independent) J Spackman (Independent )– Chairman (resigned 12/09/2013)
Governors	The Revd. C Mundell Mrs S Kyles Mrs E Brown J Gerrish (resigned as Chair of Governors 12/09/2013) Mrs M Spinks (appointed Chair of Governors 12/09/2013) Mrs E Stilwell SA Thomas (co-opted by Trustees 12/09/2013) Mrs C Carter Mrs S Horton Mrs L Lewis Mrs J Clarke Mrs T Bolton P Kyles
Company Secretary	J Cutler
Senior Management Team	
▪ Headteacher	P Kyles
Principal and Registered Office	St Mary's Church of England Primary Academy Dilwyn Herefordshire HR4 8HR
Company Registration Number	07745424(England and Wales)
Independent Auditor	RJ Francis & Co. Ltd. Franklin House Commercial Road Hereford HR1 2AZ
Bankers	Lloyds Bank Corn Square Leominster HR6 8LT
Solicitors	Lee Bolton Monier-Williams 1 The Sanctuary Westminster London SW1P 3JT

# **St Mary's Church of England Primary Academy, Dilwyn Trustees' Report for the Period Ended 31 August 2013**

The trustees present their annual report together with the financial statements and auditor's reports of the charitable company for the period 1 January 2013 to 31 August 2013.

## **Structure, Governance and Management**

### **Constitution**

The Free School was incorporated on 18<sup>th</sup> August 2011 and commenced as a Free School on 1<sup>st</sup> January 2013.

The Free School 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 Free School.

The governors act as the trustees for the charitable activities of St Mary's Church of England Primary Academy, Dilwyn and are also the directors of the charitable company for the purposes of company law. The charitable company is known as St Mary's Church of England Primary Academy, Dilwyn.

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

### **Members' Liability**

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

### **Governors' Indemnities**

St Mary's Church of England Primary Academy, Dilwyn has governors' liability insurance in place with Bluefin Insurance. The current policy runs from 1 August 2013 to 31 July 2014; the limit of the indemnity insurance is £500,000.

### **Principal Activities**

The principal activities of the Free School are to:

- Advance and promote a Christian Education for the public benefit
- The Mission Statement for our school is to '**Achieve Excellence**' in all we do.
- To provide a broad and balanced curriculum.

### **Method of Recruitment and Appointment or Election of Trustees**

The Trustees may appoint Governors as per the Memorandum of Articles. The Trustees may appoint or remove Staff Governors. Parent Governors shall be elected by parents of registered pupils at the Free School by secret ballot and a Parent Governor must be a parent of a pupil at the school at the time of election. Governors may appoint up to three Co-opted Governors. In accordance with the terms of the Funding Agreement additional governors may be appointed by the Secretary of State if deemed necessary.

### **Policies and Procedures Adopted for the Induction and Training of Trustees**

Training of governors is provided by Herefordshire Council which provides termly courses

### **Organisational Structure**

The day to day running of the Free School is the responsibility of the Principal. The Principal is able to delegate the day to day running of the school to Lead Teachers. The Principal acts as the Accounting Officer under the terms of the Funding Agreement. There are two other part time teachers, five teaching assistants who have a teaching/support role, and a School Secretary.

# **St Mary's Church of England Primary Academy, Dilwyn Trustees' Report for the Period Ended 31 August 2013 (continued)**

## **Risk Management**

The Governors are responsible for the management of risks faced by the Free School. In practice this is delegated to the Principal however, the Governors perform a monitoring role. A Health and Safety policy (incorporating Risk Management) is in place; Health & Safety regularly features on fortnightly staff meetings.

A Continuity Plan is in place to allow learning to continue during times of disaster.

## **Connected Organisations including Related Party Relationships**

Governors and Staff note their responsibilities under the Education (School Government) (Amendment) Regulations 1996 to declare interests and if appropriate, withdraw from meetings. 'Agendas of all Governors' Meetings and Governors' Committee are reminded of their duty to declare any direct or indirect pecuniary interest which may relate to any matter under discussion.'

The School building falls within the responsibility of an 1845 Trust, the Trustees being the two Wardens and the Incumbent of St. Mary's Church, Dilwyn. The School pays a peppercorn rent to the Trustees for the use of the building.

The School is a member of the Hereford Diocesan Trust, an organisation bringing together all Anglican schools within the Hereford Diocese.

## **Objectives and Activities**

### **Objects and Aims**

The Free School's principal activities for the public benefit are to:

- Advance and promote education by providing an institution for the community
- Advance and promote a Christian Education
- Provide quality education for pupils of different abilities
- Provide a broad and balanced curriculum and to '**Achieve Excellence**'

### **Objectives, Strategies and Activities**

To achieve our objectives the Free School is governed, led and managed in a way where strategic planning is constantly under critical review.

**St Mary's Church of England Primary Academy, Dilwyn  
Trustees' Report for the Period Ended 31 August 2013 (continued)**

<b>Targets</b>	<b>Action and Staff Involved</b>	<b>Success Criteria</b>	<b>Training Needs / Resources</b>	<b>Review Date</b>
Staffing	Appoint an enthusiastic and innovative staff. PE & Environmental/Science specialists who have good ICT skills	Appointments in place by September 2013	Adverts and cost of interviewing procedure	Review of appointments by Staffing committee April 2014
Rigorous performance management	Staff to be officially observed termly. Book Trawls. Pupil interviews. All staff observed	Improving of pedagogy. Sharing of successful good practice. Ultimately the improvement of pupil learning	Observations by the Principal. Time for book trawls. Review meetings with staff.	Review of appointments Sept 2013
Teaching and Learning Pedagogy (OFSTED 2012)	Development of assessment for learning techniques. Q&A, provision of criteria, self and peer assessment. On-going	Pupils to become more aware of which work is good and how they can improve their work.	Inset for current Lead Teachers and the sharing of good practice	July 2013/14/15
Improving Early Years Foundation Stage (EYFS) Provision	Development of the outdoor play area and the provision of an appropriately qualified teaching assistant to support EYFS.	Free flow between indoor and outdoor provision for FS pupils. Mornings only at present as volunteers	The appointment of a qualified teaching assistant to assist with EYFS. Appointments in September	September 2013/14/15
Introduction of new interactive software	Trial software, Espresso and Phonics Bug	The use and development of software in teaching & learning pedagogy. Started espresso, Top marks, Learn your tables, Sparkle, BBC learning zone	Initially visiting schools and getting companies to demonstrate. Inset within the school. Two staff laptops will be made available. A further laptop for teaching assistant to use with phonics support.	September 2013/14/15
Improving ICT facilities to assist	4 computers in class 1&2.	ICT integrated into teaching and	Staff inset on how to use ICT in	September 2013/14/15

the development of independent learning skills	5 computers portable white board and printer in class 5/6. April 2013	learning. All pupils accessing and developing independent learning skills throughout Key stages 1 & 2	teaching and learning. Capital Funding hardware.	
Development of an environmental area	Continuation of the Forest School. The development of raised beds in the environmental area. Sustainability/ reduction of carbon footprint	Beds to be completed and planted in spring 2014	No training needs, but beds to be built and parents to provide top soil and organic fertiliser. Friends to help, shed	September 2013/14/15
Reading policy	Lead teachers to develop a school reading policy by the end of January 2013	Agreement and its implication	Initially visiting schools. Inset within the school. Introduction of a synthetic phonics package	September 2013/14/15

The School Development/Strategic Plan impact is reviewed termly. The strategic plan impact on learning is also regularly reviewed.

Medium to long term objectives include:

- Ensuring that the best possible learning outcomes occur so that children achieve a high standard in teaching and learning and pastoral care
- Recruiting and retaining highly effective staff and providing inset so they become more effective at responding to changing demands
- Maintaining and further developing our buildings and the environment so that the facilities fit our educational aspirations
- Further developing IT skills to improve teaching and learning outcomes
- Remaining financially sustainable by ensuring the best value for money in our financial decision making

### **Public Benefit**

St Mary's is at the heart of the Village community. One of our prime aims is to promote community cohesion by participating in Village activities. Over 90% of children at the local playgroup currently feed in to the school. The school therefore provides education for the local inhabitants. Pupils are admitted directly and through Herefordshire Council's Admissions Procedure.

### **Achievements and Performance**

The school attendance between September 2012 and August 2013 was 96% which is a good indicator that pupils are enjoying their education journey.

#### **At Key Stage 1**

We saw our first Year 1 phonics tests with 67% of pupils working above the expected level of achievement and achieving the highest grading.

## St Mary's Church of England Primary Academy, Dilwyn Trustees' Report for the Period Ended 31 August 2013 (continued)

### Year 1 Phonics

	<i>Pupils Total</i>	<i>A</i>	<i>D</i>	<i>0-10</i>	<i>11-20</i>	<i>21-30</i>	<i>31-40</i>	<i>Wt</i>	<i>Wa</i>	<i>% Working Above</i>
<b>All Pupils</b>	3	0	1	0	0	0	2	0	2	<b>66.7</b>
<b>Boys</b>	1	0	0	0	0	0	1	0	1	<b>100.0</b>
<b>Girls</b>	2	0	1	0	0	0	1	0	1	<b>50.0</b>

Teacher Assessment at the end of Key Stage 1 was also very encouraging for the future. The average point score for the end of this key stage is 15, and pupils are performing above their expectations.

### Year 2 National Curriculum Levels

	<b>Pupils</b>	<b>1</b>	<b>2</b>	<b>2C</b>	<b>2B</b>	<b>2A</b>	<b>3</b>	<b>4+</b>	<b>% L2+</b>	<b>% L2B+</b>	<b>% L3+</b>	<b>Average Points</b>
<b>Speaking/Listening</b>	4	0	4	-	-	-	0	0	100	-	0	<b>15.0</b>
<b>Reading</b>	4	0	-	1	1	2	0	0	100	75	0	<b>15.5</b>
<b>Writing</b>	4	0	-	0	3	1	0	0	100	100	0	<b>15.5</b>
<b>Maths</b>	4	0	-	0	3	0	1	0	100	100	25	<b>16.5</b>
<b>Science</b>	4	0	4	-	-	-	0	0	100	-	0	<b>15.0</b>

### Year 6 Key Stage 2 Levels

We saw our first Key Stage 2 SATs tests. The national average level for the end of the key stage is level 4 and many of our pupils achieved level 5.

	English					Maths		Science
	Reading SATs Level	Reading TA	English SPG	Teacher Assessment	Writing TA	SATs Level	Teacher Assessment	Teacher Assessment
Level 6	0	0	0	0	0	0	0	0
Level 5	4	3	4	3	1	0	0	5
Level 4	1	3	1	3	3	5	5	1
Level 3	1	0	0	0	2	1	0	0
Level 2	0	0	0	0	0	0	1	0
N	0	0	1	0	0	0	0	0



## St Mary's Church of England Primary Academy, Dilwyn Trustees' Report for the Period Ended 31 August 2013 (continued)

### English Percentage Analysis

Reading Level 5	66%	Reading Level 4	83%
SPG Level 5	66%	SPG Level 4	83%
Writing Level 5	16%	Writing Level 4	66%

### Mathematics Percentage Analysis

Mathematic Level 5	0%
Mathematic Level 4	83%
Mathematic Level 3	16%

### Science Percentage Analysis

Science Level 5	83%
Science Level 4	16%

Of course, preparation for the SATs is important as it prepares pupils for the next stage of their educational journey. It is crucial that pupils begin secondary school achieving the results they deserve in order that future provision is tailored to their needs. It must however be remembered that academic success is only a small part of St Mary's achievement. Producing confident well-rounded pupils who are both helpful and polite is another important aspect of our community school.

Also, alongside the pupil's learning Journey a broad curriculum with educational enrichment has developed interest and motivated. Forest School, swimming and cookery all help to develop pupils' skills. School clubs including football, guitar and choir along with trips to the Dick Whittington Pantomime, Judges Lodge, Wyrd Sisters Production, Three Churches and St Fagan's also enrich education in the wider sense of the word.

## Financial Review

St Mary's Church of England Primary School recognises the responsibility it has under the Companies Act 2006 s417 to disclose the principal risks and uncertainties it may face. The School acknowledges that its ability to provide for pupils the continuing advancement of education is reliant upon the agreed public funding levels, distributed to the School in the form of the GAG and LACSEG. The Free School acknowledges that its planned level of expenditure must not exceed known income now and the future income. In doing so it pays due regard to the proportion of costs spent on staffing. It prepares detailed budget plans for the current year and there is a robust internal financial monitoring. A Finance Committee is in place and meets regularly to further monitor the budget.

### Financial Report for the Year

The School like all Free Schools receives its funding from the EFA. During the period ending 31<sup>st</sup> August 2013 our total expenditure of £128,425 was less than the recurrent grant funding from the EFA. The excess of income over expenditure for the period was £12,588.

At 31<sup>st</sup> August 2013 the net value of fixed assets was £18,507; the assets were used exclusively to provide education for pupils.

Our funding is linked directly to our pupil numbers. Our Pupil Admission Number is 56 (Funding agreement section 17). We also received £10,000 start-up grant. For each of the next two years, a

## **St Mary's Church of England Primary Academy, Dilwyn Trustees' Report for the Period Ended 31 August 2013 (continued)**

further £15,000 will be received. Thereafter, this grant will be removed from our funding meaning our numbers become more critical in 2015/16.

There have been two Capital Funded projects. Building project: £10,438 and IT: £17,815

### **Financial and Risk Management Objectives and Policies**

St Mary's has a robust financial policy. We have taken part in the EFA self- assessment procedures and a business continuity policy is in place.

### **Principal risks and uncertainties**

Adequate insurance to cover continuity of education, future pupil numbers and future government funding for Free Schools

### **Reserves Policy**

As there will undoubtedly be fluctuations in salaries, pupil numbers and expenditure, a contingency has been set aside. It is hoped to increase this to a sum that is equal to one month's expenditure (which is currently between £15, 000 and £17, 000). This acts as a cushion to deal with the unexpected.

### **Investment Policy**

Currently the contingency has been placed in a cheque account at Lloyds Bank. However, in the future the Finance Committee will look at deposit accounts to maximise interest.

### **Plans for Future Periods**

The Governors and Principal will continue to work to maintain the current upward trend in numbers and pupil attainment.

The Governors and Principal will work so the Free School at least achieves a Good status under the new Ofsted framework.

The Governors and Principal will work to obtaining a minibus when the school is financially secure.

### **Statement As To Disclosure of Information To Auditors**

In so far as the governors are aware

- There is no relevant audit information of which the Company's auditor is unaware; and
- The Governors 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

Approved by order of the members of the Governing Body on 11<sup>th</sup> December 2013 and signed on its behalf by:

J Gerrish  
Chairman

# St Mary's Church of England Primary Academy, Dilwyn Governance Statement

## Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that St Mary's Church of England Primary Academy, Dilwyn 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 management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between St Mary's Church of England Primary Academy, Dilwyn 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 whole Governing Body meets at least once a term (more if deemed necessary) where all business is discussed. There are two Governor Committees:

**The Finance Committee** meets 2/3 times a half term. The members are: J Gerrish (Chairman), T Bolton, P Kyles, C Hesketh (resigned April 2013). S Thomas (to be appointed Sept 2013)

**The Staffing Committee** meets as and when staffing issues arise. The members for the year ending 31<sup>st</sup> August, 2013 were: J Gerrish (Chairman), C Mundell, M Spinks, P Kyles. In September 2013, M. Spinks will take over the Chair and E. Brown will replace J. Gerrish.

Attendance is logged and the minutes are kept both electronically and as hard copies by the Clerk to the Governors.

Governors Attendance		Attendance
Terry	Bolton	4
Ellie	Brown	4
Caroline	Carter	3
Jane	Clarke	4
John	Gerrish (Chair resigned 12/09/13)	4
Colin	Hesketh (Resigned April 2013)	3
Stephanie	Horton	2
Sally	Kyles	4
Peter	Kyles	4
Louise	Lewis	4
Chris	Mundell	3
Elaine	Stilwell	3

## 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 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

## **St Mary's Church of England Primary Academy, Dilwyn Governance Statement (continued)**

an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and economically. The system of internal control has been in place in St Mary's Church of England Primary Academy, Dilwyn for the period 1<sup>st</sup> January 2013 to 31<sup>st</sup> August 2013 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The Governing Body has reviewed the key risks to which the Academy Trust is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the Free School's significant risks that has been in place for the year ending 31<sup>st</sup> August and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

### **The Risk and Control Framework**

The Free School 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 set and periodic financial reports which are reviewed and agreed by the Governing Body.
- Regular reviews by the Finance Committee of reports which indicate financial performance against the forecast and major purchase plans, capital works and expenditure programmes.
- The setting of targets to measure financial and other performance.
- Delegation of authority and segregation of duties to the Finance Committee and Principal.
- The identification and management of risk.

The Governing body does not have an internal auditor. However the Governors have appointed Tom Hawksley as Responsible Officer (RO). The RO performs a range of checks to ensure that procedures are being followed. The RO reports back to the Finance Committee which then reports back to the Governing Body.

The board of trustees has considered the need for a specific internal audit function and has decided:

- To appoint Tom Hawksley as Responsible Officer (RO). The RO performs a range of checks to ensure that procedures are being followed. The RO reports back to the Finance Committee which then reports back to the Governing Body.

We confirm that the RO function has been fully delivered in line with the EFA's requirements. These arrangements have provided reasonable assurance that assets are safeguarded, transactions are authorised and material errors and irregularities are either prevented or would be detected within a timely period.

# St Mary's Church of England Primary Academy, Dilwyn Governance Statement (continued)

## Review of Effectiveness

### Review of Effectiveness

As Accounting Officer the Principal and the Finance Committee have responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- The work of the Responsible Officer;
- The work of the external auditor;
  
- The financial management and governance self- assessment process;
- The work of the Governors within the Free School who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer will be advised of the implication of the result of the review of the system.

Approved by order of the members of the board of trustees on 11<sup>th</sup> December 2013 and signed on its behalf by:

J Gerrish  
Chair of Trustees

P Kyles  
Accounting Officer

## **St Mary's Church of England Primary Academy, Dilwyn Statement on Regularity, Propriety and Compliance**

As accounting officer of St Mary's Church of England Primary Academy, Dilwyn I have considered my responsibility to notify the free school 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 free school 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 free school'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.

P Kyles  
Accounting Officer  
11<sup>th</sup> December 2013

## **St Mary's Church of England Primary Academy, Dilwyn Statement of Trustees' Responsibilities**

The trustees (who act as governors of St Mary's Church of England Primary Academy, Dilwyn and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and 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 the 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 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 the financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees 11<sup>th</sup> December and signed on its behalf by:

J Gerrish  
Chair of Trustees

# **St Mary's Church of England Primary Academy, Dilwyn Independent Auditor's Report on the Financial Statements to the Board of Trustees of St Mary's Church of England Primary Academy, Dilwyn**

We have audited the financial statements of St Mary's Church of England Primary Academy, Dilwyn for the period ended 31<sup>st</sup> August 2013 which comprise of the Statement of Financial Activities, the Summary Income and Expenditure Account, 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 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of governors and auditor**

As explained more fully in the Governors' Responsibilities Statement, the governors (who are also the directors of the academy 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 [(APB'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 governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the governors / trustees report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31st August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with the Academies Accounts Direction 2013 issued by the EFA;
- have been prepared in accordance with the requirements of the Companies Act 2006;

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

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



# **St Mary's Church of England Primary Academy, Dilwyn Independent Auditor's Report on the Financial Statements to the Board of Trustees of St Mary's Church of England Primary Academy, Dilwyn (continued)**

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the governors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Governors' Annual Report

R. J. Francis (Senior Statutory Auditor)  
For and on behalf of R J Francis & Co Limited  
Statutory Auditor

11<sup>th</sup> December 2013

Franklin House  
Commercial Road  
Hereford  
HR1 2AZ

# **St Mary's Church of England Primary Academy, Dilwyn Independent Reporting Auditor's Assurance Report on Regularity to St Mary's Church of England Primary Academy, Dilwyn and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 15<sup>th</sup> October 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether, the expenditure disbursed and income received by St Mary's Church of England Primary Academy, Dilwyn during the period 1<sup>st</sup> January 2013 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the governing body and the EFA. Our review work has been undertaken so that we might state to St Mary's Church of England Primary Academy, Dilwyn and the EFA those matters we are required to state to it 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 St Mary's Church of England and Primary Academy and the EFA, for our review work, for this report, or for the opinion we have formed.

## **Respective responsibilities of St Mary's Church of England Primary Academy, Dilwyn's accounting officer and the reporting auditor**

The accounting officer is responsible, under the requirements of St Mary's Church of England Primary Academy, Dilwyn's funding agreement with the Secretary of State for Education dated 13<sup>th</sup> November 2012 and the Academies Financial Handbook, extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

## **Approach**

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

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

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

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

# **St Mary's Church of England Primary Academy, Dilwyn Independent Reporting Auditor's Assurance Report on Regularity to St Mary's Church of England Primary Academy, Dilwyn and the Education Funding Agency (continued)**

The work undertaken to draw to our conclusion includes:

- Review of the financial statements and minutes of trustees / finance committee meetings.
- Evaluation of internal controls and procedures to support the Accounting Officer's signing off of the regularity statement.
- Detailed testing of the relevant internal controls and enquiries to the appropriate officers of the Academy.

## **Conclusion**

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

R. J. Francis (Senior Statutory Auditor)  
For and on behalf of R J Francis & Co Limited  
Statutory Auditor

11<sup>th</sup> December 2013

Franklin House  
Commercial Road  
Hereford  
HR1 2AZ

**St Mary's Church of England Primary Academy, Dilwyn**  
**Statement of Financial Activities for the Period Ended 31 August**  
**2013 (including Income and Expenditure Account and Statement of**  
**Total Recognised Gains and Losses)**

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	<b>Total 2013 £</b>
<b>Incoming resources</b>					
<i>Incoming resources from generating funds:</i>					
Voluntary income	2	2,832	1,307	1,500	<b>5,639</b>
<i>Incoming resources from charitable activities:</i>					
Funding for the academy trust's educational operations	3	-	128,547	6,827	<b>135,374</b>
<b>Total incoming resources</b>		<b>2,832</b>	<b>129,854</b>	<b>8,327</b>	<b>141,013</b>
<b>Resources expended</b>					
<i>Charitable activities:</i>					
Academy trust educational operations	5	-	123,224	-	<b>123,224</b>
Governance costs	6		5,201		<b>5,201</b>
<b>Total resources expended</b>		<b>-</b>	<b>128,425</b>	<b>-</b>	<b>128,425</b>
<b>Net income/(expenditure) for the year</b>		<b>2,832</b>	<b>1,429</b>	<b>8,327</b>	<b>12,588</b>
<b>Net movement in funds</b>		<b>2,832</b>	<b>1,429</b>	<b>8,327</b>	<b>12,588</b>
<b>Reconciliation of funds</b>					
Total funds brought forward at 1 January 2013	13	-	-	-	-
<b>Total funds carried forward at 31 August 2013</b>		<b>2832</b>	<b>1,429</b>	<b>8,327</b>	<b>12,588</b>

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

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

## St Mary's Church of England Primary Academy, Dilwyn

### Balance Sheet as at 31 August 2013

	Notes	2013 £	2013 £
<b>Fixed assets</b>			
Tangible assets	10		18,507
<b>Current assets</b>			
Debtors	11	7,759	
Cash at bank and in hand		15,494	
		<u>23,253</u>	
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	12	<u>(29,172)</u>	
<b>Net current assets</b>			<u>(5,919)</u>
<b>Total assets less current liabilities</b>			<b>12,588</b>
<b>Funds of the academy trust:</b>			
<b>Restricted income funds</b>			
Fixed asset fund	13	1,500	
General fund	13	8,256	
<b>Total restricted funds</b>		<u>9,756</u>	<b>9,756</b>
<b>Unrestricted income funds</b>			
General fund	13	<u>2,832</u>	
<b>Total unrestricted funds</b>			<u>2,832</u>
<b>Total funds</b>			<u>12,588</u>

The financial statements on pages 18 to 32 were approved by the trustees, and authorised for issue on 11<sup>th</sup> December 2013 and are signed on their behalf by:

J Gerrish

Chair of Trustees

**St Mary's Church of England Primary Academy, Dilwyn  
Cash Flow Statement for the Period Ended 31 August 2013**

	Notes	2013 £
<b>Net cash inflow from operating activities</b>	16	<b>39,328</b>
Capital expenditure	17	<b>(23,834)</b>
<b>(Decrease)/Increase in cash in the year</b>	18	<b><u>15,494</u></b>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Net funds at 1 January 2013		-
<b>Net funds at 31 August 2013</b>		<b><u>15,494</u></b>

# St Mary's Church of England Primary Academy, Dilwyn

## Notes to the Financial Statements for the Period Ended 31 August 2013

### 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 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 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 asset fund.

- **Donations**

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

- **Other Income**

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

#### 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.

- **Cost of Generating Funds**

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

# St Mary's Church of England Primary Academy, Dilwyn

## Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)

### 1. Statement of Accounting Policies (continued)

#### ▪ 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 trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

#### **Tangible Fixed Assets**

Assets costing £500 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 on a straight line basis over its expected useful life, as follows:

▪ Fixtures, fittings and equipment	20%
▪ ICT equipment	33%

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

A review of 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.

#### **Taxation**

The free school is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore meets 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 for charitable purposes.



# **St Mary's Church of England Primary Academy, Dilwyn**

## **Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)**

### **1. Statement of Accounting Policies (continued)**

#### **Pensions Benefits**

Retirement benefits to teachers of the free school are provided by the Teachers' Pension Scheme ("TPS"). This is a defined benefit scheme and the assets are held separately from those of the free school.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of the pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of the 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 20, 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.

#### **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 trustees.

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

**St Mary's Church of England Primary Academy, Dilwyn**  
**Notes to the Financial Statements for the Period Ended 31 August**  
**2013 (continued)**

**2. Voluntary Income**

	Unrestricted Funds £	Restricted Funds £	Total 2013 £
Other donations	2,832	2,807	5,639
	2,832	2,807	5,639

**3. Funding for the Academy Trust's Educational Operations**

	Unrestricted Funds £	Restricted Funds £	Total 2013 £
<b>DfE / EFA grants</b>			
General Annual Grant (GAG)	-	116,908	116,908
Start Up Grants	-	10,000	10,000
Capital Grants**	-	6,827	6,827
Other DfE/EFA grants	-	1,639	1,639
	-	135,374	135,374

\*\* total grant £23,012 - £16,185 treated as deferred income

**4. Resources Expended**

	Staff Costs £	Non Pay Expenditure Premises Other Costs £		Total 2013 £
Academy's educational operations				
Direct costs	77,662	-	9,865	87,527
Allocated support costs	17,204	6,932	11,561	35,698
	94,866	6,932	21,426	123,224
Governance costs including allocated support costs	360	-	4,841	5,201
	95,226	6,932	26,267	128,425

**Incoming/outgoing resources for the year include:**

	2013 £
Operating leases	255
Field lease	160
Fees payable to auditor - audit	1,500
	1,915

**St Mary's Church of England Primary Academy, Dilwyn**  
**Notes to the Financial Statements for the Period Ended 31 August**  
**2013 (continued)**

**5. Charitable Activities – Academy's Educational Operations**

	Unrestricted Funds £	Restricted Funds £	Total 2013 £
<b>Direct costs</b>			
Teaching and educational support staff costs	-	77,661	77,661
Depreciation	-	5,325	5,325
Technology costs	-	1,002	1,002
Educational supplies	-	3,384	3,384
Staff development	-	100	100
Educational consultancy	-	670	670
Other direct costs	-	385	385
	-	88,527	88,527
<b>Allocated support costs</b>			
Support staff costs	-	17,204	17,204
Depreciation	-	1,502	1,502
Technology costs	-	283	283
Maintenance of premises and equipment	-	4,219	4,219
Cleaning	-	225	225
Rent and rates	-	161	161
Energy costs	-	2,553	2,553
Insurance	-	1,966	1,966
Security and transport	-	90	90
Catering	-	2,164	2,164
Other support charges	-	4,330	4,330
	-	34,697	34,697
	-	123,224	123,224

**6. Governance Costs**

	Unrestricted Funds £	Restricted Funds £	Total 2013 £
Legal and professional fees	-	3,341	3,341
Auditor's remuneration	-	1,500	1,500
Audit of financial statements	-	360	360
Support staff costs	-	5,201	5,201

# St Mary's Church of England Primary Academy, Dilwyn

## Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)

### 7. Staff Costs

Staff costs during the period were:	<b>2013</b>
	<b>£</b>
Wages and salaries	<b>82,875</b>
Social security costs	<b>8,564</b>
Pension costs	<b>3,787</b>
	<hr/>
	<b>95,226</b>
Forest school teacher costs	<b>420</b>
Other	<b>250</b>
	<hr/>
	<b>95,896</b>

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

	<b>2013</b>
	<b>No.</b>
Teachers	<b>2</b>
Administration and support	<b>3</b>
Management	<b>1</b>
	<hr/>
	<b>6</b>

### 8. Related Party Transactions – Trustees Remuneration & Expenses

The principal 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. The value of trustees' remuneration for the eight months to 31 August 2013 was as follows:

P Kyles	£25,000 - £30,000
S Kyles	£10,000 - £15,000
J Clarke	£5,000 - £10,000
E Stilwell	£5,000 - £10,000
SA Thomas	£0 - £5,000

During the period ended 31 August 2013, no travel and subsistence expenses were reimbursed to trustees.

Other related party transactions involving the trustees are set out in note 21.

### 9. 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 £500,000 on any one claim and the cost for the Period Ended 31 August 2013 was £600.

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

**St Mary's Church of England Primary Academy, Dilwyn**  
**Notes to the Financial Statements for the Period Ended 31 August**  
**2013 (continued)**

**10. Tangible Fixed Assets**

	Furniture & Equipment £	Computer Equipment £	Total £
<b>Costs</b>			
At 1 January 2013	-	-	-
Additions	9,493	15,841	25,334
Disposals	-	-	-
At 31 August 2013	<u>9,493</u>	<u>15,841</u>	<u>25,334</u>
<b>Depreciation</b>			
At 1 January 2013	-	-	-
Charged in year	1,599	5,228	6,827
Disposals	-	-	-
At 31 August 2013	<u>1,599</u>	<u>5,228</u>	<u>6,827</u>
<b>Net book values</b>			
At 31 August 2013	<u>7,894</u>	<u>10,613</u>	<u>18,507</u>
At 1 January 2013	<u>-</u>	<u>-</u>	<u>-</u>

**11. Debtors**

	<b>2013</b>
	£
VAT recoverable	7,596
Prepayments and deferred income	163
	<u>7,759</u>

**12. Creditors: Amounts falling due within one year**

	<b>2013</b>
	£
Trade creditors	11,971
Taxation and social security	1,016
Accruals and deferred income	16,185
	<u>29,172</u>

**Deferred Income**

	<b>2013</b>
	£
Deferred income at 1 January 2013	0
Resources deferred in the year	16,185
Amounts released from previous years	0
Deferred Income at 31 August 2013	<u>16,185</u>

At the balance sheet date the free school deferred income from capital grant funding (total grant £23,012) so that the income shown matched the depreciation charged on the assets.

**St Mary's Church of England Primary Academy, Dilwyn**  
**Notes to the Financial Statements for the Period Ended 31 August**  
**2013 (continued)**

**13. Funds**

	Balance at 1 January 2013 £	Incoming Resources £	Resources Expended £	Gains, Losses and Transfer s £	Balance at 31 August 2013 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	116,908	(108,652)	-	<b>8,256</b>
Start Up Grant	-	10,000	(10,000)	-	<b>0</b>
Other DfE/EFA Grants	-	1,639	(1,639)	-	<b>0</b>
School trip donations	-	1,307	(1,307)	-	<b>0</b>
	-	129,854	(121,598)	-	<b>8,256</b>
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	-	6,827	(6,827)	-	-
Donated Assets	-	1,500	0	-	<b>1,500</b>
	-	8,327	(6,827)	-	<b>1,500</b>
<b>Total restricted funds</b>	-	138,181	(128,425)	-	<b>9,756</b>
<b>Unrestricted funds</b>					
Unrestricted funds	-	2,832	-	-	<b>2,832</b>
<b>Total unrestricted funds</b>	-	2,832	-	-	<b>2,832</b>
<b>Total funds</b>	-	141,013	(128,425)	-	<b>12,588</b>

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

General Annual Grant - Income from the EFA which is to be used for the normal running costs of the free school, including education and support costs.

Start-up grant – payable over three years to support the set-up of the free school.

Other grants - income which has been received for specific purposes.

**14. Analysis of Net Assets between Funds**

Fund balances at 31 August 2013 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2013 £
Tangible fixed assets			18,507	<b>18,507</b>
Current assets	2,832	20,421	-	<b>23,253</b>
Current liabilities	-	(29,172)	-	<b>(29,172)</b>
	2,832	(8,751)	18,507	<b>12,588</b>

# St Mary's Church of England Primary Academy, Dilwyn

## Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)

### 15. Financial Commitments

#### Operating Leases

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

	2013 £
<b>Land and buildings</b>	
Expiring over five years	235
<b>Other</b>	
Expiring within one year	340

### 16. Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2013 £
Net incoming resources	11,088
Depreciation	6,827
Increase in debtors	(7,759)
Increase in creditors	29,172
<b>Net Cash Inflow from Operating Activities</b>	<b>39,328</b>

### 17. Capital Expenditure and Financial Investment

	2013 £
Purchase of tangible fixed assets	(23,834)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(23,834)</b>

### 18. Analysis of Changes in Net Funds

	At 1 January 2013 £	Cash flows £000	At 31 August 2013 £000
Cash in hand and at bank	-	15,494	15,494
	-	15,494	15,494

### 19. Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/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.

# **St Mary's Church of England Primary Academy, Dilwyn**

## **Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)**

### **20. Pension and Similar Obligations**

The academy's employees belong to one principal pension scheme: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff.

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.

Contributions amounting to £1,598 were payable to the scheme at 31 August and are included within creditors.

#### **Teachers' Pension Scheme**

##### **Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

##### **The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce the real rate of return.

##### **Valuation of the Teachers' Pension Scheme**

At the last valuation, the contribution rate to be paid in to 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 costs of future benefits) amounted to £166,500. The



## **St Mary's Church of England Primary Academy, Dilwyn**

### **Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)**

value of the assets (estimated future contributions together with the proceeds from the notional investments held at valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Services Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

#### **Teachers' Pension Scheme Changes**

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57<sup>th</sup>; 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. Importantly, pension benefits built up before April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy 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.

# **St Mary's Church of England Primary Academy, Dilwyn**

## **Notes to the Financial Statements for the Period Ended 31 August 2013 (continued)**

### **21. 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.

The following related party transactions took place in the period of account:

Payments to Stephanie Kyles for grass strimming £150