

**Education Swanage Limited**

**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year from 1 September 2013 to 31 August 2014**

**Company Registration Number 07613612**

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**Name: Education Swanage Limited**

**Exempt Charity Number: EW02086**

**Registered Office: The Swanage School, High Street, Swanage, DORSET BH19 2PH**

**Registered Company Number: 07613612**

**Names of Trustees:**

Name	Member of Committee	Appointments and Resignations since 1 September 2013		Roles
		Start Dates	End Dates	
Paul Angel	ST			Chair
Geoff Atkinson	SF			
Nick Brady		15 October 2014		
Vikki Edwards		15 October 2014		
Brian Erskine		16 October 2013		Parent Governor
Liz Gilmour	FP, SF		15 October 2014	
Lisa Gray	ST	16 October 2013		Staff Governor
Nikki Harman	ST		15 October 2014	
Tristram Hobson	ALL			Headteacher & Accounting Officer
William Knight	FP, SF			
Audrey Lang	ST	16 October 2013		Staff Governor
John Lejeune	FP	16 October 2013		Parent Governor
Helen O'Connor	ST			Vice Chair
John Palmer-Snellin		15 October 2014		
Steve Parker	FP, SF, CP			Responsible Officer
Amanda Rowley	FP, DP			
Alison Stevens	ST	16 October 2013		SEN Governor
Carl Styants	CP			
Isobel Tooley	FP			Pupil Premium Governor

**Senior Leadership Team at The Swanage School:**

**Headteacher:** Tristram Hobson

**Deputy Headteacher:** Jenny Maraspin

**Business Manager:** Katy Kerr

**Auditors:** Ward Goodman

Cedar Park, Cobham Road, Ferndown Industrial Estate, Wimborne, DORSET, BH21 7SF

**Key to committee membership:**

Community and Partnerships: CP

Finance & Premises: FP

Staffing: SF

Student: ST

## **Trustees Annual Report**

The Trustees present their annual report together with the financial statements and auditor's reports of the charitable company for the year from 1 September 2013 to 31 August 2014. The annual report serves the purposes of both a trustees' report and a directors' report under the company law.

## **Structure Governance and Management**

### **Constitution**

The trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Education Swanage Limited are also the directors of the charitable company for the purposes of company law, and described as governors or trustees within the body of this report and in the day to day operations of the school. The charitable company is known as Education Swanage Limited.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 3.

### **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.

### **Trustee Indemnities**

The Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions. Appropriate insurance is in place as specified in Note 9 of the accounts.

### **Principle Activities**

Education Swanage Limited operates one Free School, namely The Swanage School in Swanage, Dorset.

### **Method of Recruitment and Appointment or Election of Trustees (Governors)**

The Swanage School's Governing Body comprises up to 12 Governors who are appointed by the members of Education Swanage, the Headteacher, two Parent Governors, two Staff Governors (providing that the total number of Governors, including the Headteacher, who are employees of the Academy Trust does not exceed one third of the total number of Governors). The Articles of Association require there to be a minimum of three Governors.

Parent Governors are elected by the parents of current pupils of The Swanage School.

Staff Governors are elected by the staff currently employed by The Swanage School.

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

All Governors receive induction training and are supplied with copies of policies, procedures, minutes, budgets, plans and other documents that they will require to undertake their role as Governor. During the year, the Governors held 27 meetings.

Governors receive no remuneration or benefits in respect of their duties as Governors but are reimbursed for expenses incurred in carrying out their duties as Governors.

## Organisational Structure

The Governing Body meets once per half term and is responsible for establishing the framework for Governance of The Swanage School and for agreeing membership, determining schemes of delegation and establishing terms of reference for sub committees. In conjunction with the Head Teacher it sets the aims and objectives for the school, agrees policies and sets targets. It receives reports and policy documents from its Committees for ratification and monitors the activities of those Committees through the Minutes of their meetings. It also monitors the progress of the school towards the achievement of the aims and objectives and in light of that progress reviews the strategic framework.

Under the Scheme of Delegation some activities and functions are delegated to the four committees, the Head Teacher and the Strategic Leadership Team.

The committees below meet six times per year and have the following key responsibilities:

Community and Partnership Committee: make delegated decisions in relation to marketing, community engagement and partnership, sponsorship and communication with parents and the wider community. This committee was disbanded in July 2014.

Finance and Premises Committee: make delegated decisions and make recommendations to the full governing body so as to ensure sound management of the school's finances and resources. The committee has delegated powers on financial, internal audit, building and environmental matters.

Staffing Committee: has oversight of all policies and processes used for the recruitment, retention, release and development of the staff of the School. The committee consults with and supports the Headteacher with strategic aspects of staff restructures, establishes performance review and approves performance management policy annually.

Student Committee: has oversight of all aspects of learning and welfare that relate to students, including Social Moral Spiritual Cultural (SMSC), the curriculum and reviews all policies relating to curriculum and ethos.

The following decisions are among those reserved for the Full Governing Body:

- Appointment/dismissal of Headteacher
- Appointment/dismissal of Deputy Headteacher
- Agree limits of delegation
- Appoint Accounting Officer
- Appoint Responsible Officer
- Agree arrangements for the provision of sex education
- Agree arrangements for the prohibition of political indoctrination
- Approve school budget
- Approve annual: Financial report, DfE returns and Report to parents
- Agree policies for: SEN, all other policies may be delegated
- Regulate Governing body procedures
- Agree committee structure
- Delegate powers to committees
- Receive reports from committees
- Appoint/dismiss the clerk to the governors
- Co-opt governors
- Appoint associates
- Appoint nominated governors including: SEN governor, Safeguarding governor and Health and safety governor

- Receive and consider Ofsted reports
- Receive and consider reports from: Auditors, School Improvement Partners

The Head Teacher along with the Senior Leadership Team are responsible for the day to day operation of The Swanage School and:

- Ensure the whole Curriculum is delivered in line with Governing Body's Policy and the ethos of the school is maintained and enhanced
- Manage curriculum and staff on a day-to-day basis
- Ensure that students are assessed in line with school and national policies
- Implement School Development Plan and National Policies (as appropriate)
- Implement policy for pupils with Special Educational Needs and Disabilities
- Provide parents and Governing Body with sufficient information in order to enable them to fulfil their roles in the educational partnership
- Strive to ensure that the learning needs of all pupils of all abilities are met
- Oversee general expenditure during year and authorise major expenditure in line with delegated financial authority
- Prepare 3 year budget with reference to School Development Plan
- Administer, collate and report financial information
- Prepare accounts and reports on a monthly basis
- Oversee general expenditure during year and authorise major expenditure in line with delegated financial authority
- Check budget information received from the Education Funding Agency (EFA) and initiate queries
- Consider year-end over/under-spend impact on budget planning
- Award contracts for repairs/maintenance in line with delegated financial authority
- Carry out and monitor policy on Health and Safety
- Formulate repair and maintenance budget as a rolling programme
- Prepare monthly budget statement for repair and maintenance
- Propose phased strategy for improvements to general standard of premises
- Planning overall strategy for staff deployment – teaching, non-teaching, full, part-time posts
- Decide on strategies for the continuing development of staff for the benefit of both the school and themselves.

## **Risk Management**

The Governors are responsible for the management of risks to which The Swanage School is exposed and have undertaken a review of the risks associated with its activities. This has resulted in the production of a Risk Register and associated management policies which are updated at least annually and monitored on a regular basis during the year.

The Governors are satisfied that the major risks identified have, where necessary, been adequately mitigated. It is recognised however that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

## **Objectives and Activities**

### **Objects and Aims**

The Trust's object is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

The principal aim of The Swanage School (The Academy) is to create an outstanding school that:

- Will improve life opportunities for all students.
- Enable each student to feel affectionate about their school and as an adult to look back fondly on their education.
- Will allow each student to leave the Swanage School enabled to progress to further and higher education and the career of their choice.

## **Key Aims**

### **Academic ambition**

We promise to help our students achieve the best they can. Our deliberately ambitious target is to be among the top tier of Dorset schools, judged both by the progress they make and by the percentage of students who leave with five A\*-C GCSE passes including English and Maths. We envisage that a large majority of our students will surpass that national baseline; we believe it is our duty to ensure every student who comes through our doors achieves the best possible outcome.

We will:

- Ensure every student in our learning community fully realises their potential.
- Engage the town of Swanage as a learning community in raising aspirations and achievement.
- Involve employers, businesses, community and volunteer groups as our partners in education, skills and training.
- Enable the Swanage community to enjoy a wide range of activities in a state-of-the-art environment.

### **The Swanage School Charter**

The Swanage School is a human scale school with an innovative, intellectually challenging curriculum:

- Excellence is central to teaching and learning.
- It is a pleasure to teach and learn.
- Every student's needs are understood and catered for.
- Students are known and treated as individuals.
- Students are encouraged to take responsibility.
- All aspects of development are encouraged: Intellectual, Physical, Creative, Emotional, Moral, and Spiritual.
- All students engage in The Swanage School Challenge curriculum extension programme.
- Students' positive experiences of school extend into their adult lives.
- Behaviour is characterised by respect for others and the environment.
- Staff are supported through continuing professional development.
- Parents and local residents are welcomed as partners in learning.
- Horizons and global awareness are broadened through national and international partnerships.

### **The Swanage School Way**

Our first intake of students worked together to determine The Swanage School Way

At The Swanage School we:

- We respect each other and treat others as we would like to be treated.
- Help members of the wider community.
- Strive for academic excellence.
- Take pride in our appearance.
- Do the best we can.

*We try, we fail, we learn, we succeed.*

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

The Objectives are based on the Department for Education strategic indicators:

**Student Progress**

We plan to ensure that students' progress is at least in line to achieve Fischer Family Trust 'D' estimates (those of the top performing 25% of schools), that parents are fully engaged with their child's education and that attendance is at least 94%.

**Curriculum, Teaching and Learning**

Our objective is to ensure the quality of teaching and learning is outstanding, achieved through integral Assessment for Learning strategies, effective differentiation and effective cross-curricular learning. We aim to deliver a literacy rich integrated project and develop a series of Challenge Days and Challenge weeks which facilitate self-efficacy and self-belief. We will also ensure SMSC is embedded within the curriculum and ethos of the school.

**Student Care and Guidance**

We will create a school where students feel safe and happy with an inspiring 'house' system, and where student leadership and student voice is an important part of the life of the school.

**Staffing, Leadership and Governance**

The Swanage School will ensure all governors are fully trained and aware of relevant roles and responsibilities, that high value for money human resource is appointed to meet the direct and indirect needs of the students, and that the leadership team have the appropriate up to date skills to lead the school.

**Financial Planning and Marketing**

We will ensure that effective and robust financial systems and controls are in place and effectively market the school to parents of prospective students to maximise student intake for Sept 2014.

**Buildings**

Our objective is to ensure that the new building is completed on time and to plan, and that it is 'snag free' and effectively maintained. We also plan to maximise the lettings of the school buildings to facilitate community engagement and potentially plan for future build projects to accommodate sixth form/additional students.

The above objectives are achieved through planned and effective continuing professional development, precise and organised planning and rigorous monitoring and evaluation of quality standards – the school has a comprehensive strategic improvement plan which goes into more detail.

**Strategic Report****Achievements and Performance****Student Progress**

Student attainment and progress data shows that students have made very good progress in almost all subjects, including English and Maths. This is the case for almost all 'category' groups of students. Students who are eligible for pupil premium make better than expected progress, but progress is slightly below the school average in Maths.

**Curriculum, Teaching and Learning**

The quality of teaching and learning is securely "good". This has been evaluated both internally through leadership team review and externally through independent reviews undertaken by 5 separate inspections or monitoring visits. The school has undertaken 6 Challenge Days during the school year in addition to two Challenge weeks, all of which were very successful. The SMSC provision has been judged to be very good and is a core part of the ethos of the school.



**Student Care and Guidance**

We have created a school where students feel safe and happy – it is commented on by everyone who comes round the school that it is a calm, welcoming place where the children and staff feel at ease. The House system has been a great success and children and staff take pride in their house's achievements. House and Vice House Captains have been selected and take on a valued role in the school. The school council and other student representative bodies take an important role in the running of the school.

**Staffing, Leadership and Governance**

The governance of the school is exceptional. Governors attend meetings and training sessions as well as school events. They maintain the right balance between challenge and support in all meetings. The staffing structure is very tight, especially given the small size of the school and the higher than average proportional of needy children, but the school is working within its budget.

**Financial Planning and Marketing**

The financial systems are rigorous and the school has taken many opportunities to market itself in the community and student roll continues to rise. The forecast intake for September 2015 is to reach or exceed Published Admission Number of 84.

**Buildings**

The new building was completed on schedule and we moved in on 17<sup>th</sup> April, 2014. The opening was celebrated by an official ceremony that was very well attended as well as an open day where over 1,000 people came to look round the school.

**Public Benefit**

The Swanage School's principle objective is to provide education to students of all abilities between the ages of 11 and 16.

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

**Strategic Report****Going Concern**

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

**Key Financial Performance Indicators**

Key Financial Performance Indicators (KPIs) were not prepared during this financial year as the primary focus has been on ensuring financial stability during the first year of operation. The governors will review the use of KPIs for future accounting periods.

**Financial Review**

The Swanage School receives the majority of its income from the Education Funding Agency in the form of recurrent and capital grants, the use of which is restricted to particular purposes. The grants received during

the period and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

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

As noted previously The Swanage School has a Risk Register and management process. The principal financial risks for The Swanage School are listed below.

## **Principal Risks and Uncertainties**

The Governors of The Swanage School are aware of the risks that The Swanage School faces in the short, medium and long term. The principal risks and uncertainties have been identified following the risk management process.

Principal risks and uncertainties are:

- Pupil numbers
- New national funding agreement
- Financial risk
- Failure in Governance and/or Management
- Reputational risk
- Safeguarding and Child Protection risks

## **Reserves Policy**

The Governors review the level of reserves at the Finance and Premises Committee which meets six times annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Trust aims to carry forward a prudent level of resources from the General Annual Grant, and in years one to three from the Start Up Grant to ensure the cash position is preserved, to provide for unforeseen contingencies and to effectively manage the school whilst pupil numbers build up.

## **Investment Policy**

The Governors are firmly committed to ensuring that all funds under their control are administered in such a way as to maximise return while minimising risks. Governors do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of various funds entrusted to the Governing Body.

The current arrangement whereby all funds are held in current and no notice deposit accounts will be kept under review.

## **Plans for Future Periods**

The following core priorities should be read in conjunction with the school development plan, which is a more comprehensive action plan. These priorities have come from reflecting on our strengths and weaknesses using staff, student, parent and governor feedback as well as 'mock Ofsted' feedback.

## **Teaching and Learning**

Develop in class differentiation strategies to challenge the most able and support others, to ensure all students maximise progress in their learning. Develop the range of additional intervention strategies to ensure pupil progress for characteristic groups including those entitled to pupil premium. Raise literacy levels across the school.

**Student Achievement**

Staff and students aware of each student's aspirational targets in each subject and flight paths are in place to achieve these.

**Behaviour**

Ensure we maximise student attendance and improve student self-efficacy.

**Leadership and Management**

Maintain high quality teaching and learning, evaluating the success of the core priorities through rigorous and regular quality assurance processes including lesson observations and work scrutiny. Ensure ongoing CPD enables Teaching and Learning priorities to be achieved. Continue to evaluate and improve communications and planning to reflect the growing school's needs.

**Auditor**

In so far as the trustees are aware:

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

Trustee's report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, and signed on behalf of the Board of Governors on 10<sup>th</sup> December 2014.



Paul Angel (Chair)



Helen O'Connor (Vice Chair)

## Governance Statement

### Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that Education Swanage Limited 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 Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Education Swanage Limited 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 governing body has formally met 6 times during the year. Attendance during the year at meetings of the board of trustees was:

Trustee	Meetings Attended
Paul Angel	6
Geoff Atkinson	4
Brian Erskine	2
Liz Gilmour	4
Lisa Gray	2
Nikki Harman	4
Tristram Hobson	6
William Knight	5
Audrey Lang	4
John Lejeune	5
Helen O'Connor	6
Steve Parker	6
Amanda Rowley	5
Alison Stevens	5
Carl Styants	5
Isobel Tooley	5

The finance and premises committee is a sub-committee of the main board of trustees. Its purpose is to ensure sound management of the school's finances and resources.

## **The Purpose of the System of Internal Control**

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

## **Capacity to Handle Risk**

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

## **The Risk and Control Framework**

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

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

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

- not to appoint an internal auditor. However the trustees have decided to appoint a Trustee as the Responsible officer. Isobel Tooley was the Responsible Officer from 1 September 2013 to AGM on 6 October where Steve Parker was appointed to the role.

The Responsible Officer's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On at least a quarterly basis, the Responsible Officer reports to the board of trustees, through the Finance and Premises Committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

## Review of Effectiveness

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

- the work of the responsible officer
- the work of the external auditor
- the financial management and governance self-assessment process
- the work of the manager within the academy trust who has responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Premises Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 10<sup>th</sup> December 2014 and signed on its behalf by:



**Tristram Hobson**  
Trustee Accounting Officer

**Statement on Regularity, Propriety and Compliance**

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

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

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



**Tristram Hobson**

Accounting Officer  
10<sup>th</sup> December 2014

## Statement of Governors' Responsibilities

The governors (who act as trustees for charitable activities of Education Swanage Limited and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Requirements 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 governors to prepare financial statements for each financial year. Under company law the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and 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 operation.

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

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

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

Approved by order of the members of the Governing Body on 10<sup>th</sup> December 2014 and signed on its behalf by:



Paul Angel

Chair of Governors

Date: 10<sup>th</sup> December 2014



**Independent Auditor's Report on the Financial Statements to the Board of Trustees of Education Swanage Limited**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the EFA.

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

In our opinion the information given by the Governors' Annual Report for the financial period for which the financial statements are prepared is consistent with the financial statements. Matters on which we are required to report by exception. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or 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 the information and explanations we require for our audit.

**Independent Reporting Auditor's Assurance Report on Regularity to Education Swanage Limited and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 20 October 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Education Swanage Limited during the year from 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Education Swanage Limited and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Education Swanage Limited and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Education Swanage Limited and the EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Education Swanage Limited's accounting officer and the reporting auditor**

The accounting officer is responsible, under the requirements of Education Swanage Limited's funding agreement with the Secretary of State for Education dated 27 February 2013 and the Academies Financial Handbook, extant from 1 September 2014 for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

### Approach

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

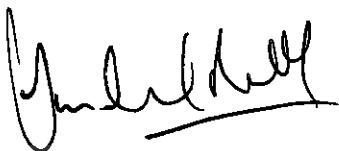
The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. In undertaking this work we will have regard to the guidance in the Accounts Direction 2013 to 2014 and the ICAEW's Assurance Sourcebook.

### 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 year from 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mr I Rodd ACA FCCA  
c/o Ward Goodman  
4 Cedar Park  
Cobham Road  
Ferndown Industrial Estate  
Wimborne  
Dorset  
BH21 7SF

Date: 12<sup>th</sup> December 2014

**Statement of Financial Activities for the year from 1 September 2013 to 31 August 2014**

	Note	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2014	Total 2013
		£	£	£	£	£
<b>Incoming Resources</b>						
<i>Incoming resources from generated funds:</i>						
Voluntary Income	3	802	75,947	28,053	104,802	480
Activities for generating funds		-	-	-	-	-
Investment Income		-	-	-	-	-
<i>Incoming resources from charitable activities:</i>						
Funding for the academy trust's educational operation	4	26,643	1,100,795	5,243,175	6,370,613	2,710,529
<b>Total Incoming Resources</b>		27,445	1,176,742	5,271,228	6,475,415	2,711,009
<b>Resources Expended</b>						
<i>Cost of generating funds:</i>						
Costs of generating voluntary income		-	-	-	-	-
<i>Charitable Activities:</i>						
Academy educational operations	5	25,735	874,138	134,531	1,034,404	564,565
Governance Costs	6	-	8,056	-	8,056	5,342
<b>Total Resources Expended</b>		25,735	882,194	134,531	1,042,460	569,907
Net incoming resources before transfers		1,710	294,548	5,136,697	5,432,955	2,141,102
<b>Gross transfers between funds</b>		-	-	-	-	-
<b>Net income for period</b>		1,710	294,548	5,136,697	5,432,955	2,141,102
<b>Other recognised gains and losses</b>	19	-	(7,113)	-	(7,113)	-
<b>Net movement in funds</b>		1,710	287,435	5,136,697	5,425,842	2,141,102
<b>Reconciliation of funds</b>						
Funds brought forward 01/09/2013	13	14,003	65	2,127,642	2,141,710	608
<b>Funds carried forward 31/8/2014</b>	13	15,713	287,500	7,264,339	7,567,552	2,141,710

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

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

**Balance Sheet as at 31 August 2014**

	Note	31-Aug 2014 £	31-Aug 2014 £	31-Aug 2013 £	31-Aug 2013 £
<b>Fixed Assets</b>					
Tangible Assets	10		7,279,839		2,127,642
<b>Current Assets</b>					
Debtors	11	846,690		995,427	
Cash at bank and in hand		250,097		28,729	
		1,096,787		1,024,156	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	12	795,074		1,010,088	
<b>Net current assets</b>			301,713		14,068
<b>Total assets less current liability</b>			7,581,552		2,141,710
Pension scheme liability	15		(14,000)		-
<b>Net assets including pension liability</b>			7,567,552		2,141,710
<b>Funds of Education Swanage Limited:</b>					
<b>Restricted income funds</b>					
Fixed asset fund	13	7,264,339		2,127,642	
General fund	13	294,613		65	
Pension Fund	19	(7,113)		-	
<b>Total restricted funds</b>			7,551,839		2,127,707
<b>Unrestricted income funds</b>					
-General fund	13		15,713		14,003
<b>Total funds</b>			7,567,552		2,141,710

The financial statements were approved by the trustees, and authorised for issue on 10<sup>th</sup> December 2014 and are signed on their behalf by:



Paul Angel (Chair)



Helen O'Connor (Vice Chair)

**Cash Flow Statement for the Accounting Year Ended 31 August 2013**

	Notes	2014	2013
		£	£
Net cash inflow from operating activities	15	236,868	(39,309)
Return on investments	16	-	-
Capital expenditure	17	(15,500)	340,075
<b>Increase in cash in the year</b>	<b>18</b>	<b>221,368</b>	<b>300,766</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2013		28,729	(272,037)
<b>Net Funds at 31/08/2014</b>		<b>250,097</b>	<b>28,729</b>

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 1. Statement of Accounting Policies

#### Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

#### Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of Education Swanage Limited 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 Education Swanage Limited 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.

- The 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 fixed asset fund.

- **Donations**

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

#### 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.

- **Costs of Generating Funds**

No costs were incurred in attracting voluntary income.

- **Charitable Activities**

These are costs incurred by Education Swanage Limited 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 £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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:

- Freehold buildings [duration of lease]
- Fixtures, fittings and equipment [10 years]
- ICT equipment [5 years]

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.

## **Taxation**

Education Swanage Limited 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. Education Swanage Limited is also subject to section 33B of the VAT act 1994 as permitted by the Finance Act 2011. This places Education Swanage Limited in the same VAT position as schools under local authority control and permits VAT recoverable for charitable activities from 1 April 2011.

## **Pensions Benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and Education Swanage Limited 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 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 and Department for Education.

## 2 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the academy trust is in receipt of GAG funding.

## 3 Voluntary Income

	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset Funds £	Total 2014 £	Total 2013 £
Donations	798	13,617	-	14,415	475
Grants	-	61,817	28,053	89,870	-
Gift Aid	-	513	-	513	-
Membership Subscriptions	4	-	-	4	5
<b>Total</b>	<b>802</b>	<b>75,947</b>	<b>28,053</b>	<b>104,802</b>	<b>480</b>

Education Swanage Limited did not hold any investment assets nor did it generate any earned income during the 2013/14 accounting period (nil 2012/13).



**4 Funding for the Academy Trust's Educational Operations**

	Unrestricted	Restricted	Restricted Asset Fund £	Total	Total
	Funds	Funds		2014	2013
	£	£		£	£
<b>Activities for Generating Funds</b>					
Lettings	165	-	-	165	-
Catering income	12,641	-	-	12,641	-
Other income	13,837	30,743	-	44,580	-
	26,643	30,743	-	57,386	-
<b>DfE / EFA grants</b>					
General Annual Grant	-	771,793	-	771,793	-
Start Up Grant	-	297,610	-	297,610	213,520
Capital (IT)	-	-	337,733	337,733	12,138
Capital (building)	-	-	4,905,442	4,905,442	2,127,642
	-	1,069,403	5,243,175	6,312,578	2,353,300
<b>Investment income</b>					
Interest on bank deposits	-	649	-	649	-
	-	649	-	649	-
<b>Others</b>					
HMRC VAT	-	-	-	-	357,229
<b>Total</b>	<b>26,643</b>	<b>1,100,795</b>	<b>5,243,175</b>	<b>6,370,613</b>	<b>2,710,529</b>

**5 Charitable Activities – Academy's Educational Operation**

	Unrestricted Funds £	Restricted Funds £	Restricted Asset Fund £	Total 2014 £	Total 2013 £
<b>Academy's educational operations</b>					
<b>Cost of generating funds</b>					
Fundraising activities		1,182		1,182	
	-	1,182	-	1,182	-
<b>Direct Costs</b>					
Teaching Staff	-	446,268	-	446,268	61,867
Teaching Support Staff		39,143	-	39,143	-
Reimbursed Teaching costs	-	-	-	-	32,116
Staff training	-	9,214	-	9,214	2,645
Technology costs	-	12,818	-	12,818	22,562
Education Supplies	-	78,875	-	78,875	26,471
Education Subscriptions	-	-	-	-	940
School set up costs	-	-	-	-	12,237
VAT expenditure	-	-	-	-	357,229
	-	586,318	-	586,318	516,067
<b>Support Costs</b>					
Support staff	-	134,843	-	134,843	2,858
Technology costs	-	-	-	-	3,810
Office/other rental	-	51,020	-	51,020	3,132
Office costs	-	-	-	-	6,598
Recruitment costs	-	5,994	-	5,994	29,038
Insurance	-	9,205	-	9,205	2,862
Maintenance costs	-	5,092	-	5,092	-
Other occupation costs	-	1,390	-	1,390	-
Utility costs	-	12,023	-	12,023	-
Cleaning	-	11,812	-	11,812	-
Rates	-	3,600	-	3,600	-
Admin supplies	-	19,475	-	19,475	-
Catering	10,342	15,513	-	25,855	-
Other professional services	10,729	16,337		27,066	-
Depreciation	-		134,531	134,531	-
Other Support costs	4,664	334	-	4,998	200
	25,735	286,638	134,531	446,904	48,498
<b>Total</b>	<b>25,735</b>	<b>874,138</b>	<b>134,531</b>	<b>1,034,404</b>	<b>564,565</b>

**6 Governance Costs**

	Unrestricted Funds £	Restricted Funds £	Restricted Asset Funds £	Total 2014 £	Total 2013 £
Legal and professional fees	-	856	-	856	1,047
Audit fees	-	-	-	-	-
Financial Statements	-	6,450	-	6,450	4,250
Other	-	750	-	750	-
Trustee expenses	-	-	-	-	45
	-	8,056	-	8,056	5,342

## 7 Staff Costs

Staff costs during the period were:

	2014	2013
	£	£
Wages and Salaries	501,105	48,359
Payments to HMRC	34,621	5,012
Pension Contributions	82,798	11,354
<b>Total Staff Costs</b>	<b>618,524</b>	<b>64,725</b>

The average number of persons employed by Education Swanage Limited during the accounting period, expressed as an average full time equivalent, was as follows:

	2014	2013
	No.	No.
Teachers	8.0	0.71
Administration and Support	2.5	0.12
Management	3.0	-
<b>Total Staff Numbers</b>	<b>14</b>	<b>1</b>

The number of employees whose emoluments fell into the following bands was:

	2014	2013
	No.	No.
£60,001 to £70,000	1	-
£70,001 to £80,000	-	-

The above employee participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 employer's pension contributions for the staff member amounted to £9,848 (2013: £NA).

## **8 Related Party Transactions**

The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the role of principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payment except for reimbursement of direct or support costs.

Owing to the nature of the academy trust's operations and the members of the board of trustees being drawn from the local community, 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. The following related party transaction took place in the period of account.

Gulliver's bookshop in which Paul Angel (Chair of Governors) has a controlling interest:

The Trust purchased books at cost totalling £1,057.95 (2013: Nil)

PJM Advertising Ltd in which Amanda Rowley (Governor) has a controlling interest:

Purchased advertising/marketing services at cost totalling £9,963.22 (2013:£12,193.01)

Statements of assurance from both parties were sought and received in relation to the purchase of goods.

## **9 Trustees' Insurance**

In accordance with normal commercial practice Education Swanage Limited has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Education Swanage Limited business. The insurance provides cover up to £500,000 on any one claim and in aggregate for the period of insurance. The cost for the accounting year ended 31 August 2014 was £63.85 (2013: £1,033.50).

**10 Tangible Fixed Assets**

	Freehold Land and Buildings	Furniture and Equipment	Computer Equipment	Total
	£	£	£	£
Cost at 1 April 2013	2,127,642	-	-	2,127,642
Additions	4,753,434	270,527	262,767	5,286,728
Disposals	-	-	-	-
Depreciation	54,925	27,053	52,553	134,531
Cost at 31 August 2014	6,826,151	243,474	210,214	7,279,839

**11 Debtors**

	2014	2013
	£	£
Debtor (Capital – KIER)	-	512,270
Trade Debtors	-	-
VAT Recoverable	726,198	442,682
Other Debtors	102,687	16,443
Prepayments and accrued income	17,805	24,032
<b>Total Debtors</b>	<b>846,690</b>	<b>995,427</b>

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

	2014	2013
	£	£
Creditor (Capital – KIER)	-	512,270
Trade Creditors	47,912	53,951
Taxation and social security	21,341	13,808
VAT Payable	699,745	85,453
Other Creditors	4,595	4,531
Accruals and deferred income	21,481	340,075
<b>Total Creditors</b>	<b>795,074</b>	<b>1,010,088</b>

**13 Funds**

	Balance at 1 September 2013	Incoming Resources	Resources Expended	Gains, Losses & Transfers	Balance as at 31 August 2014
	£	£	£	£	£
<b>Restricted general funds</b>					
Start Up grants	65	297,610	297,610	-	65
GAG	-	771,793	576,528	-	195,625
Other	-	31,392	8,056	-	23,337
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	2,127,642	5,243,175	106,478	-	7,264,339
Donations and Grants Fixed Assets	-	28,053	28,053	-	-
Donations					-
<b>Restricted voluntary funds</b>					
Donations and Grants Fixed Assets	-	61,817	-	-	61,817
Voluntary	-	14,130	-	-	14,130
<b>Pension scheme liability</b>	-	-	-	(7,113)	(7,113)
					-
<b>Total Restricted funds</b>	<b>2,127,707</b>	<b>6,447,970</b>	<b>1,016,725</b>	<b>(7,113 )</b>	<b>7,551,839</b>
<b>Unrestricted Funds</b>					
Unrestricted funds	14,003	27,445	25,735	-	15,713
<b>Total unrestricted funds</b>	<b>14,003</b>	<b>27,445</b>	<b>25,735</b>	<b>-</b>	<b>15,713</b>
<b>Total Funds</b>	<b>2,141,710</b>	<b>6,475,415</b>	<b>1,042,460</b>	<b>(7,113 )</b>	<b>7,567,552</b>

**General Annual Grant**

Income is awarded by the Education Funding Agency (EFA), based on a formula provided by the local authority.

**GAG is made up of:**

- school budget share – calculated on a comparable basis to the running costs of maintained schools in the same local authority.
- education services grant – allocated to academies based on the number of pupils they are responsible for, to buy services no longer automatically provided by the local authority.

**EFA Capital Grants**

This was awarded for the building of the new school. The surveyor submits a certificate of work completed along with an invoice to the EFA who then pay the funds into the School's bank account so that the invoice can be paid.

**14 Capital Commitments**

Education Swanage Limited has entered into contracts, through the Education Funding Agency, for the build and fit out of the Swanage School. These contracts have a value of £7,738,975 which £7,473,789 has been paid to date. This sum is shown in the Education Swanage Limited accounts as Tangible Fixed Assets.

**15 Reconciliation of Net Income to Net Cash Inflow from Operating Activities**

	2014	2013
Net income	5,432,955	2,414,102
Depreciation (note 10)	134,531	0
Capital grants from DfE and other capital income	(5,271,228)	(2,467,717)
Interest receivable	-	-
FRS 17 pension costs less contributions (note 16)	6887	
FRS 17 pension finance income (note 16)	-	-
(Increase)/decrease in debtors	148,737	(992,486)
Increase/(decrease) in creditors	(215,014)	1,006,792
<b>Net Cash Inflow from Operating Activities</b>	<b>236,868</b>	<b>(39,309)</b>

<b>16 Returns on investments</b>		
Interest received	-	-
<b>Net Cash Inflow from returns on investment</b>	<b>-</b>	<b>-</b>

<b>17 Capital Expenditure and Financial Investment</b>		
Purchase of tangible fixed assets	(5,286,728)	(2,127,642)
Capital grants from DEF/EFA	5,243,175	2,467,717
Capital funding received from sponsors and others	28,053	-
Receipts from sale of tangible fixed assets	-	-
<b>Net cash inflow/outflow from capital expenditure and financial investment</b>	<b>(15,500)</b>	<b>340,075</b>

<b>18 Analysis of Change in Net Funds</b>	At 1 September 2013	Cash flows	As at 31 August 2014
Cash in hand and at bank	28,729	221,368	250,097
	<b>28,729</b>	<b>221,368</b>	<b>250,097</b>



## 19 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 Dorset County Council. Both are defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2013.

Contributions amounting to £10,000 (2013: £2,500) were payable to the schemes at 31 August 2014 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' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament. The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

### Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate. The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

## Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS. The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of  $1/57^{\text{th}}$  and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected. In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection. In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis. The Department for Education has continued to work closely with trade unions and other representative bodies to develop the reformatting Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatting scheme will commence on 1 April 2015.

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

## Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £33,351, of which employer's contributions totalled £25,113 and employees' contributions totalled £8,238. The agreed contribution rates for future years are 17.4 per cent for employers and 5.5 to 6.8 per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

## Principal Actuarial Assumptions at 31 August 2014

	31 August 2014 %	01 September 2013 %
Rate of increase in salaries	4.2	4.4
Rate of increase in pensions in payment/inflation	2.7	2.9
Discount rate for scheme liabilities	4.0	4.7
Inflation assumption (CPI)	2.7	2.9
Commutation of pensions to lump sums	50	Not given

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

Life Expectancy from age 65 (years)		31 August 2014	01 September 2013
Retiring Today			
	Males	22.7	22.9
	Females	25.1	25.0
Retiring in 20 years			
	Males	24.9	24.8
	Females	27.4	27.3

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

Asset class	31 August 2014		Expected return at	
	Bid Value £000s	Asset Share %	1 September 2014 %	2 September 2013 %
Equities	38,000	55	6.9	7.3
Gilts	14,000	20	3.0	3.7
Cash	6,000	9	2.9	3.5
Alternative Assets			6.9	NA
Absolute Return Portfolio	3,000	5	6.9	7.3
Property	2,000	2	5.9	7.3
	9,000	9	5.6	6.4
<b>TOTAL</b>	<b>69,000</b>	<b>100</b>		

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 August 2014 is likely to be different from that shown due to estimation techniques. For further explanation of the calculation of the asset share please see Valuation Approach below.

The full breakdown of the asset allocation is not available at 31 August 2014, so other bonds and gilts have been allocated to Gilts. Based on the above, the Employer's share of the assets of the Fund is less than 1%.

### Valuation Approach

To assess the value of the Employer's liabilities at 31 August 2014, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 1 September 2013, using financial assumptions that comply with FRS17.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants.

These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 August 2014 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 August 2014 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to the Employer at 1 September 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Employer currently participates in the Dorset Academies pool with 58 other employers in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, assets for each individual employer in the pool were re-allocated by calculating the deficit for the whole pool and allocating this deficit to each employer in proportion to their liabilities. The Employer joined the pool after the 2013 valuation with no starting assets or liabilities. The next re-allocation will be carried out at the 2016 valuation, should the employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The actuarial return on scheme assets was £6 (2013: £0)

Amounts recognised in the statement of financial activities

	2014	2013
Current service cost (net of employee contributions)	32,000	
Past service cost	-	
<b>Total operating charge</b>	<b>32,000</b>	

Analysis of pension finance Income/(costs)

	2014	2013
Expected return on pension scheme assets	(2,000)	
Interest on obligation	2,000	
<b>Pension finance income/(costs)</b>	<b>-</b>	

	2014	2013
Actual return on fund assets	5,000	

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £14,000 loss (2013: £Nil loss).

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

	2014	2013
<b>At 1 September</b>		
Current service cost	32,000	-
Interest cost	2,000	-
Employee contributions	8,000	-
Actuarial (gain)/loss	10,000	-
Benefits paid	31,000	-
Past Service cost	-	-
Curtailments and settlements	-	-
<b>At 31 August</b>	<b>83,000</b>	<b>-</b>

**Movements in the fair value of academy's share of scheme assets: 2014 2013**

	2014	2013
Expected return on assets	2,000	-
Actuarial gain/(loss)	3,000	-
Employer contributions	25,000	-
Employee contributions	8,000	-
Benefits paid	31,000	-
<b>Fair value of fund assets</b>	<b>69,000</b>	<b>-</b>

The estimated value of employer contributions for the year ended 31 August 2015 is £40,000.

