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KEMSLEY PRIMARY ACADEMY
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

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KEMSLEY PRIMARY ACADEMY
(A company limited by guarantee)

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KEMSLEY PRIMARY ACADEMY
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STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account and statement of total recognised gains and losses)
FOR THE YEAR ENDED 31 AUGUST 2014

	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £	
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	2	-	-	-	3,100,598	
Activities for generating funds	3	-	17,060	17,060	5,868	
Investment income	4	300	-	300	45	
Incoming resources from charitable activities	5	-	1,071,469	1,077,951	461,591	
TOTAL INCOMING RESOURCES	300	1,088,529	6,482	1,095,311	3,568,102	
RESOURCES EXPENDED						
Charitable activities	-	984,511	122,810	1,107,321	532,050	
Governance costs	7	-	44,947	44,947	23,810	
TOTAL RESOURCES EXPENDED	10	-	1,029,458	1,152,268	555,860	
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS		300	59,071	(116,328)	(56,957)	3,012,242

KEMSLEY PRIMARY ACADEMY
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STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

	Note	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £
Transfers between Funds	20	-	(19,997)	19,997	-	-
NET INCOME / (EXPENDITURE) FOR THE YEAR		300	39,074	(96,331)	(56,957)	3,012,242
Actuarial gains and losses on defined benefit pension schemes		-	(11,000)	-	(11,000)	(25,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		300	28,074	(96,331)	(67,957)	2,987,242
<i>Total funds at 1 September 2013</i>		-	(220,524)	3,207,766	2,987,242	-
TOTAL FUNDS AT 31 AUGUST 2014		300	(192,450)	3,111,435	2,919,285	2,987,242

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 4 to 19 form part of these financial statements.

KEMSLEY PRIMARY ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER:

BALANCE SHEET
AS AT 31 AUGUST 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	17		3,111,435		3,207,766
CURRENT ASSETS					
Debtors	18	52,617		40,939	
Cash at bank and in hand		83,496		20,176	
		<u>136,113</u>		<u>61,115</u>	
CREDITORS: amounts falling due within one year	19	<u>(62,263)</u>		<u>(41,639)</u>	
NET CURRENT ASSETS			73,850		19,476
TOTAL ASSETS LESS CURRENT LIABILITIES			3,185,285		3,227,242
Defined benefit pension scheme liability	22	<u>(266,000)</u>		<u>(240,000)</u>	
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			2,919,285		2,987,242
FUNDS OF THE ACADEMY					
Restricted funds:					
Restricted funds	20	73,550		19,476	
Restricted fixed asset funds	20	3,111,435		3,207,766	
Restricted funds excluding pension liability		<u>3,184,985</u>		<u>3,227,242</u>	
Pension reserve		<u>(266,000)</u>		<u>(240,000)</u>	
Total restricted funds			2,918,985		2,987,242
Unrestricted funds	20		<u>300</u>		<u>-</u>
TOTAL FUNDS			2,919,285		2,987,242

The financial statements were approved by the Trustees, and authorised for issue, on and are signed on their behalf, by:

Eileen Hargreaves, Chair of Trustees

The notes on pages 4 to 19 form part of these financial statements.

KEMSLEY PRIMARY ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 to 2014 issued by EFA, applicable accounting standards and the Companies Act 2006.

1.2 Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy at the discretion of the Trustees.

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

1.3 Incoming resources

All incoming resources are included in the Statement of financial activities when the academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability. For legacies, entitlement is the earlier of the academy being notified of an impending distribution or the legacy being received.

Grants are included in the Statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

The value of donated services and gifts in kind provided to the academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of financial activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy's policies.

KEMSLEY PRIMARY ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

1. ACCOUNTING POLICIES (continued)

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

1.4 Resources expended

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.

Charitable activities are costs incurred in the academy's educational operations.

Governance costs include the costs attributable to the academy'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.

1.5 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 academy 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.

1.6 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

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 are 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's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	125 years
Fixtures and fittings	-	4 years
Computer equipment	-	3 years

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

1. ACCOUNTING POLICIES (continued)

1.7 Taxation

The academy 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 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.

1.8 Pensions

Retirement benefits to employees of the academy 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.

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 in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 22, the TPS is a multi-employer scheme and the academy 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 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 the 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 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.

2. VOLUNTARY INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	<i>Total funds 2013 £</i>
Donations	-	-	-	100
Assets Gifted From Predecessor School	-	-	-	3,100,498
	<hr/>	<hr/>	<hr/>	<hr/>
Voluntary Income	-	-	-	3,100,598
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	<i>Total funds 2013 £</i>
Trips Income	-	8,390	8,390	4,878
Other Income	-	8,670	8,670	990
	<u>-</u>	<u>17,060</u>	<u>17,060</u>	<u>5,868</u>

4. INVESTMENT INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	<i>Total funds 2013 £</i>
Investment Income	300	-	300	45
	<u>300</u>	<u>-</u>	<u>300</u>	<u>45</u>

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	<i>Total funds 2013 £</i>
Educational Operations	-	1,077,951	1,077,951	461,591
	<u>-</u>	<u>1,077,951</u>	<u>1,077,951</u>	<u>461,591</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
DfE/EFA revenue grants				
General Annual Grant	-	671,318	671,318	331,703
Pupil Premium Grant	-	83,302	83,302	26,625
Capital Income	-	-	-	1,626
Other Income	-	182,267	182,267	54,638
Other EFA Income	-	122,513	122,513	40,990
Rates Relief	-	5,693	5,693	-
	-	1,065,093	1,065,093	455,582
Other government grants				
Other Government Grants	-	12,858	12,858	6,009
	-	12,858	12,858	6,009
	-	1,077,951	1,077,951	461,591

6. EXPENDITURE BY CHARITABLE ACTIVITY

SUMMARY BY FUND TYPE

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Educational Operations	-	1,107,321	1,107,321	532,050

SUMMARY BY EXPENDITURE TYPE

	Staff costs 2014 £	Depreciation 2014 £	Other costs 2014 £	Total 2014 £	Total 2013 £
Educational Operations	739,766	122,810	244,745	1,107,321	532,050

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

7. GOVERNANCE COSTS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	<i>Total funds 2013 £</i>
Auditors' Remuneration	-	6,000	6,000	5,305
Other Professional Fees	-	38,947	38,947	18,505
	<u>-</u>	<u>44,947</u>	<u>44,947</u>	<u>23,810</u>

8. DIRECT COSTS

	Educational Operations £	Total 2014 £	<i>Total 2013 £</i>
Pension income	10,000	10,000	4,000
Educational Supplies & Services	28,888	28,888	8,222
Educational Consultancy	6,676	6,676	2,240
Supply Teaching Costs	8,757	8,757	15,358
Technology Costs	17,792	17,792	872
Wages and Salaries	332,595	332,595	175,357
National Insurance	26,493	26,493	13,786
Pension Cost	32,840	32,840	19,307
	<u>464,041</u>	<u>464,041</u>	<u>239,142</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

9. SUPPORT COSTS

	Educational Operations £	Total 2014 £	Total 2013 £
Educational Supplies & Services	33,827	33,827	3,369
Repairs & Maintenance	24,140	24,140	8,222
Staff Development	4,881	4,881	1,615
Other Occupancy Cost	2,414	2,414	9,175
Recruitment & Support	3,241	3,241	860
Maintenance of Premises	3,588	3,588	849
Water & Energy Cost	30,207	30,207	9,076
Insurance	16,172	16,172	6,991
Catering Expenses	19,166	19,166	5,535
Other Support Cost	15,654	15,654	4,400
Technology Costs	1,833	1,833	-
Cleaning	15,229	15,229	6,209
Security and Transport	2,280	2,280	242
Wages and Salaries	286,852	286,852	145,134
National Insurance	11,643	11,643	5,359
Pension Cost	49,343	49,343	21,880
Depreciation	122,810	122,810	63,992
	<u>643,280</u>	<u>643,280</u>	<u>292,908</u>

10. RESOURCES EXPENDED

	Staff costs 2014 £	Non Pay Premises 2014 £	Expenditure Other costs 2014 £	Total 2014 £	Total 2013 £
Direct costs - Educational Operations	400,685	-	63,356	464,041	239,142
Support costs - Educational Operations	347,838	52,381	243,061	643,280	292,908
Charitable activities	<u>748,523</u>	<u>52,381</u>	<u>306,417</u>	<u>1,107,321</u>	<u>532,050</u>
Governance	-	-	44,947	44,947	23,810
	<u>748,523</u>	<u>52,381</u>	<u>351,364</u>	<u>1,152,268</u>	<u>555,860</u>

KEMSLEY PRIMARY ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

11. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2014 £	Support costs 2014 £	Total 2014 £	Total 2013 £
Educational Operations	464,041	643,280	1,107,321	532,050

12. NET INCOMING / (OUTGOING) RESOURCES

This is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets: - owned by the charity	122,810	63,992
Auditors' remuneration	6,000	5,305

13. STAFF

a. Staff costs

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	619,447	320,491
Social security costs	38,136	19,145
Other pension costs (Note 22)	82,183	41,187
	739,766	380,823
Supply teacher costs	8,757	15,358
	748,523	396,181

b. Staff numbers

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

	2014 No.	2013 No.
Teachers	11	11
Education and other support staff	34	19
	45	30

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

13. STAFF (continued)

c. Higher paid staff

No employee received remuneration amounting to more than £60,000 in either year.

14. TRUSTEES' REMUNERATION AND 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 in respect of their role as Trustees. The value of Trustees' remuneration fell within the following bands:

	2014 £	2013 £
Cathryn Andrews, Headteacher	45,000-50,000	15,000-20,000
Claire George, Staff Trustee	25,000-30,000	10,000-15,000

15. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,180 (2013 - £1,180). The cost of this insurance is included in the total insurance cost.

16. OTHER FINANCE INCOME

	2014 £	2013 £
Expected return on pension scheme assets	8,000	2,000
Interest on pension scheme liabilities	(18,000)	(6,000)
	<u>(10,000)</u>	<u>(4,000)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

17. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 September 2013	2,857,035	414,723	-	3,271,758
Additions	-	14,940	11,539	26,479
At 31 August 2014	<u>2,857,035</u>	<u>429,663</u>	<u>11,539</u>	<u>3,298,237</u>
Depreciation				
At 1 September 2013	20,792	43,200	-	63,992
Charge for the year	11,586	107,416	3,808	122,810
At 31 August 2014	<u>32,378</u>	<u>150,616</u>	<u>3,808</u>	<u>186,802</u>
Net book value				
At 31 August 2014	<u>2,824,657</u>	<u>279,047</u>	<u>7,731</u>	<u>3,111,435</u>
At 31 August 2013	<u>2,836,243</u>	<u>371,523</u>	<u>-</u>	<u>3,207,766</u>

18. DEBTORS

	2014 £	2013 £
Other debtors	13,002	6,183
Prepayments and accrued income	39,615	34,756
	<u>52,617</u>	<u>40,939</u>

19. CREDITORS:
Amounts falling due within one year

	2014 £	2013 £
Trade creditors	21,445	12,078
Other taxation and social security	10,601	14,620
Other creditors	-	279
Accruals and deferred income	30,217	14,662
	<u>62,263</u>	<u>41,639</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

20. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds - all funds	-	300	-	-	-	300
Restricted funds						
Restricted Funds - all funds	19,476	1,088,529	(1,014,458)	(19,997)	-	73,550
Pension reserve	(240,000)	-	(15,000)	-	(11,000)	(266,000)
	<u>(220,524)</u>	<u>1,088,529</u>	<u>(1,029,458)</u>	<u>(19,997)</u>	<u>(11,000)</u>	<u>(192,450)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Funds - all funds	3,207,766	6,482	(122,810)	19,997	-	3,111,435
Total restricted funds	<u>2,987,242</u>	<u>1,095,011</u>	<u>(1,152,268)</u>	<u>-</u>	<u>(11,000)</u>	<u>2,918,985</u>
Total of funds	<u><u>2,987,242</u></u>	<u><u>1,095,311</u></u>	<u><u>(1,152,268)</u></u>	<u><u>-</u></u>	<u><u>(11,000)</u></u>	<u><u>2,919,285</u></u>

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

Restricted Fixed Assets funds relate to capital grants provided by the DfE and local authority and reduced by depreciation charges.

Restricted General funds have arisen through revenue grants provided by the DfE and reduced by expenditure incurred in the operation of the academy.

The Restricted funds can only be used in the terms of limitations imposed by the Funding Agreement with the DfE and the terms of any specific grant.

Unrestricted funds relates to investment income during the period.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	-	300	-	-	-	300
Restricted funds	(220,524)	1,088,529	(1,029,458)	(19,997)	(11,000)	(192,450)
Restricted fixed asset funds	3,207,766	6,482	(122,810)	19,997	-	3,111,435
	<u>2,987,242</u>	<u>1,095,311</u>	<u>(1,152,268)</u>	<u>-</u>	<u>(11,000)</u>	<u>2,919,285</u>

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £
Tangible fixed assets	-	-	3,111,435	3,111,435	3,207,766
Current assets	300	135,813	-	136,113	61,115
Creditors due within one year	-	(62,263)	-	(62,263)	(41,639)
Provisions for liabilities and charges	-	(266,000)	-	(266,000)	(240,000)
	<u>300</u>	<u>(192,450)</u>	<u>3,111,435</u>	<u>2,919,285</u>	<u>2,987,242</u>

22. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent 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 August 2014.

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

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

22. PENSION COMMITMENTS (continued)

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

The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Teachers' Pension Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION COMMITMENTS (continued)

basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £55,000, of which employer's contributions totalled £44,000 and employees' contributions totalled £11,000. The agreed contribution rates for future years are 7% for employers and 3% 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.

The amounts recognised in the Balance sheet are as follows:

	2014	2013
	£	£
Present value of funded obligations	(447,000)	<i>(358,000)</i>
Fair value of scheme assets	181,000	<i>118,000</i>
Net liability	<u>(266,000)</u>	<i><u>(240,000)</u></i>

The amounts recognised in the Statement of financial activities are as follows:

	2014	2013
	£	£
Current service cost	(49,000)	<i>(22,000)</i>
Interest on obligation	(18,000)	<i>(6,000)</i>
Expected return on scheme assets	8,000	<i>2,000</i>
Total	<u>(59,000)</u>	<i><u>(26,000)</u></i>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

22. PENSION COMMITMENTS (continued)

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

	2014	<i>2013</i>
	£	£
Opening defined benefit obligation	358,000	<i>296,000</i>
Current service cost	49,000	<i>22,000</i>
Interest cost	18,000	<i>6,000</i>
Contributions by scheme participants	11,000	<i>6,000</i>
Actuarial Losses	18,000	<i>28,000</i>
Benefits paid net of transfers in	(7,000)	<i>-</i>
	<hr/>	<hr/>
Closing defined benefit obligation	447,000	<i>358,000</i>
	<hr/> <hr/>	<hr/> <hr/>

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

	2014	<i>2013</i>
	£	£
Opening fair value of scheme assets	118,000	<i>87,000</i>
Expected return on assets	8,000	<i>2,000</i>
Actuarial gains and (losses)	7,000	<i>3,000</i>
Contributions by employer	44,000	<i>20,000</i>
Contributions by employees	11,000	<i>6,000</i>
Benefits paid net of transfers in	(7,000)	<i>-</i>
	<hr/>	<hr/>
	181,000	<i>118,000</i>
	<hr/> <hr/>	<hr/> <hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £(11,000) (*2013 - £(25,000)*).

The academy expects to contribute £37,000 to its Defined benefit pension scheme in 2015.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2014	<i>2013</i>
Equities	6.70 %	<i>6.60 %</i>
Gilts	3.00 %	<i>3.50 %</i>
Other bonds	3.60 %	<i>4.40 %</i>
Property	5.90 %	<i>4.60 %</i>
Cash	2.90 %	<i>0.50 %</i>

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2014	<i>2013</i>
Discount rate for scheme liabilities	4.00 %	<i>4.70 %</i>
Rate of increase in salaries	4.50 %	<i>5.10 %</i>
Rate of increase for pensions in payment / inflation	3.50 %	<i>3.70 %</i>
Inflation assumption (CPI)	2.70 %	<i>2.90 %</i>
RPI increase	3.50 %	<i>3.70 %</i>

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22. PENSION COMMITMENTS (continued)

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

	2014	2013
Retiring today		
Males	22.7	20.1
Females	25.1	24.1
Retiring in 20 years		
Males	24.9	22.1
Females	27.4	26.0

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2014	2013
	£	£
Defined benefit obligation	(447,000)	(358,000)
Scheme assets	181,000	118,000
Deficit	(266,000)	(240,000)
Experience adjustments on scheme liabilities	(18,000)	(28,000)
Experience adjustments on scheme assets	7,000	3,000

23. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, 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's financial regulations and normal procurement procedures.