

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

LANDAU BAKER LIMITED

Chartered Accountants & Statutory Auditors

Mountcliff House

154 Brent Street

London

NW4 2DR

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

CONTENTS

	Page
Reference and administrative details of the academy, its trustees and advisers	1
Trustees' report	2 - 9
Governance statement	10 - 12
Statement on regularity, propriety and compliance	13
Trustees' responsibilities statement	14
Independent auditors' report	15 - 16
Independent reporting accountant's assurance report on regularity	17 - 18
Statement of financial activities	19 - 20
Balance sheet	21
Cash flow statement	22
Notes to the financial statements	23 - 41

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2014**

Trustees	Cathie Paine, Chair Steve Lancashire Dean Ashton Sue Dutton, Principal Director David Tingle, Principal Executive (appointed 1 December 2013) Anita Willars (appointed 1 July 2014) Mark Elms (resigned 1 September 2013) David Wright (resigned 1 July 2014)
Members	REAch2 Limited (represented by Steve Lancashire) Rev A Dollery Dr R McKenzie-Young Mr R Pryce
Company registered number	08269155
Principal and registered office	REAch2 Academy Trust REAch2 Office Scientia Academy, Mona Road Burton-on-Trent DE13 0UF
Company secretary	Winckworth Sherwood
Chief executive officer	Mr S Lancashire
Independent auditors	Landau Baker Limited Chartered Accountants Statutory Auditors Mountcliff House 154 Brent Street London NW4 2DR

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2014

The directors present their annual report together with the financial statements and auditors reports of REAch2Warwickshire Academy Trust (the academy) for the year ended 31 August 2014. The directors confirm that the Annual report and financial statements of the academy comply with the current statutory requirements, the requirements of the academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

The trust operates 3 primary academies in Warwickshire. Its academies have a combined pupil capacity of 945 and has a roll of 646 in the school census on 31st October 2013.

Structure, governance and management

a. CONSTITUTION

The Academy is a company limited by guarantee and an exempt charity. It was set up on 25th October 2012 and in terms of a Funding Agreement entered into with the Secretary of State for Education, became an Academy Trust on 1st November 2012. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy.

The directors act as the trustees for the charitable activities of REAch2Warwickshire Academy Trust and some are also the directors of the Charitable Company for the purposes of company law.

The ultimate parent undertaking and controlling party is REAch2 Limited.

Details of governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

b. 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.

c. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

The directors are appointed under the terms of the Academies articles of association: -

- REAch2 Limited
- REAch2 Appointed Directors as REAch2 sees fit.
- The Executive Principal (referred to as the Executive Director in the articles) if appointed by REAch2 for as long as they remain in office.
- One Academy Director, will be the chair of a Local Governing Body of an academy within the Trust. Where there is more than one candidate the Chairs will elect the Academy Director for a period of one year.
- One Principal Director, which will be a Principal of an Academy within the Trust. Where there is more than one candidate the Principals will elect the Principal Director for a period of one year.
- Directors co-opted by the Board.
- A minimum of two parent governors unless the Local Governing Bodies each have at least two Parent Governors.
- The Directors may also, with the consent of REAch2, appoint staff directors providing that the total number of staff directors including the Executive Principal, Principal, Co-opted and appointed staff directors does not exceed one third of the total number of Directors.

The term of office for any governor shall be four years. The Executive Principal term of office runs parallel with their contract of employment. Subject to remaining eligible to be a particular type of governor any governor may be reappointed or re-elected. The Academy Director and Principal Director are elected annually.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

d. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

During the period under review the directors held three meetings. The training and induction provided for new directors will depend on their existing experience. Where necessary an induction will provide training on charity and educational legal and financial matters. All directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees and directors of the Charitable Company.

e. ORGANISATIONAL STRUCTURE

The Charitable Company has established a management structure to enable its efficient running. The structure consists of two levels: the non-executives and the executive who are the senior leadership team.

The Board of Directors has considered its role thoughtfully and decided that the role of the directors is to approve the strategic direction and objectives of the Charitable Company and monitor its progress towards these objectives.

The Board has approved a scheme of delegation, which sets out a statement on the system of internal control, responsibilities, standing orders, a scheme of delegation and terms of reference.

Directors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Charitable Company by use of budgets and making major decisions about the direction of the Charitable Company, including capital expenditure and senior staff appointments.

f. CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

REACH2Warwickshire Academy Trust has a strong working relationship with REACH2 Limited. This relationship is defined through the Memorandum of Understanding that the Trust and REACH2 Limited have agreed. REACH2 Limited is a charity with the purpose:

- "REACH2 (Raising Educational Achievement for Children) is an Academy Trust developed by Hillyfield Primary Academy. Its core mission is to create a family of primary academies that have strong reputations for delivering outstanding education for all pupils. Through working increasingly across a wide geographical area with schools in a variety of contexts, REACH2 will seek to be an influential voice in the primary sector."
- "The mission and vision of REACH2 is set out in its mission and vision statement. In fulfilling this mission, REACH2 has established a network of academies who share a common vision and purpose. This Memorandum acknowledges the shared vision and the commitments that REACH2 and all the REACH2 Academy Trusts and their respective REACH2 Academies (the "Trust"), by signing this Memorandum, make to each other. The relationship between REACH2 and the Trust is intended to be mutually beneficial and reflects their wish to work together and to collaborate. Whilst there is no intention to create legally binding obligations in this Memorandum, it reflects the expectations that the parties have of each other."
- "The strength of the partnership between REACH2 and the Trust and the REACH2 Academies and more widely the REACH2 network of schools lies in the fact that all look outwards as well as inwards and the interaction with others provides challenge and opportunity as well as promotes best practice. Whilst it may be clear that the primary objective of this Memorandum is to provide mutual support, nothing in this Memorandum will prohibit either REACH2 or the Trust collaborating with other local and national networks."
- In addition to this, the Trust also provides a procurement framework that enables its member academies to access commercial services that ensure value for money and consistent quality. For these commercial services REACH2 has entered into agreements with commercial providers of back office services including: legal, HR, Payroll, Insurance, financial systems and accountancy services.

On February 2014, a trading company was established, REACH2 Inspiration Limited. REACH2 Inspiration Ltd is

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

wholly and equally owned by the eleven charities that make up the REAch2 group, the 10 Multi-Academy Trusts (MATs) and REAch2 Ltd. Because REAch2 Inspiration Ltd is wholly owned by the 11 charities it will fully comply with the provision of services "at cost" principle, as any surpluses generated by the company would belong to the Multi Academy Trusts. The purpose for establishing REAch2 Inspiration Ltd is to allow a supply of the highest quality 'in house' services, at a low cost to our MATs and their Academies, ensuring budgets are optimized to benefit the education of children within REAch2 Academies and hence providing best value.

g. RISK MANAGEMENT

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover.

The academy has an effective system of internal financial controls and this is explained in more detail in the statement on internal control.

h. TRUSTEES' INDEMNITIES

Subject to the provisions of the Companies Act, every governor or other officer of the charitable company shall be indemnified out of the assets of the charitable company against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Charitable Company.

i. PRINCIPAL ACTIVITIES

The principal activity of the Charitable Company is to advance, for the public benefit, education in Warwickshire and the surrounding area by maintaining and operating REAch2Warwickshire Academy Trust in Warwickshire.

Objectives and Activities

a. OBJECTS AND AIMS

The principal object and activity of the Charitable Company is the operation of Academies to provide education in Warwickshire.

In accordance with the articles of association the Charitable Company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government is part of the wider 'Master Funding Agreement' between the Company and the Secretary of State and 'Supplemental Funding Agreements' for each Academy. The Funding Agreement specifies, amongst other things, that the academies will be at the heart of their communities promoting community cohesion and sharing facilities; the basis for admitting students to the Academy, that the curriculum should be broad and balanced; there will be an emphasis on the needs of individual pupils including pupils with Special Educational Needs (SEN); the basis for charging pupils.

b. OBJECTIVES, STRATEGIES AND ACTIVITIES

REAch2Warwickshire Academy Trust has a strong relationship with REAch2 Ltd. This relationship is defined through the Memorandum of Understanding that the Trust and REAch2 Ltd have agreed. REAch2 Ltd is a charity with the purpose:

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

"REACH2 is an Academy Trust whose core mission is to create a family of primary academies that have strong reputations for delivering outstanding education for all pupils. Through working increasingly across a wide geographical area with schools in a variety of contexts, REACH2 will seek to be an influential voice in the primary sector."

"The mission and vision of REACH2 is set out in its mission and vision statement. In fulfilling this mission, REACH2 has established a network of academies who share a common vision and purpose. This Memorandum acknowledges the shared vision and the commitments that REACH2 and all the REACH2 Academy Trusts and their respective REACH2 Academies (the "Trust"), by signing this Memorandum, make to each other. The relationship between REACH2 and the Trust is intended to be mutually beneficial and reflects their wish to work together and to collaborate. Whilst there is no intention to create legally binding obligations in this Memorandum, it reflects the expectations that the parties have of each other."

"The strength of the partnership between REACH2 and the Trust and the REACH2 Academies and more widely the REACH2 network of schools lies in the fact that all look outwards as well as inwards and the interaction with others provides challenge and opportunity as well as promotes best practice. Whilst it may be clear that the primary objective of this Memorandum is to provide mutual support, nothing in this Memorandum will prohibit either REACH2 or the Trust collaborating with other local and national networks."

The main objectives of the Academy Trust during the period ended 31 August 2014 are summarised below:

- achieve consistently high standards of teaching and learning
- provide local leadership capacity and support
- develop cost effective curriculum design and collaboration which optimises opportunities for pupils and students and provides added value progress for them
- provide support building upon individual learning and/or areas of strength between schools to improve key aspects of performance
- achieve best value in service delivery especially where partnership working can add value.

The Academy's vision is to build an ethos of:

- Every child is capable of extraordinary achievement.
 - For any child to realise their inner potential they need an environment and adult role models that support their love and enjoyment of learning.
 - Every child has an absolute right to an equal opportunity to flourish in a REACH2 academy.
 - Our pupils will develop the skills, knowledge and attitudes to realise their own dreams through a positive contribution to their community and wider society.
 - Self-realisation and positive contribution stem from a confidence and strength in one's own identity that allows us to embrace and respect the identity of other individuals and groups in our community and wider society.
 - The long-term well-being of our pupils is dependent on a sustainable economy, society and environment.
- We need to teach our children to be able to contribute to achieving that sustainability as adults.

- It is the responsibility of all of the adult staff in REACH2 to remove the barriers to each individual child's development and create the conditions in which they are able to love and enjoy learning.
- It is the responsibility of each REACH2 academy to reach out and raise and support the aspiration of their community to believe in their children's potential.
- The Academy Trust will build its capacity through a target to operate six academies, recruited from a mix of sponsorships, new provision and conversions.

The Academy Trust secures value for money and consistent quality of support services through a combination of centrally procured and provided services. Services that are centrally procured by the Academy Trust, but paid for directly by the academies are legal services, audit services and responsible officer services. Services that are directly provided or procured by the Academy Trust and paid for by the Trust, on behalf of its academies include:

1. MAT Leadership

An Executive Principal will lead each MAT. REACH2 will provide the MAT Executive Director and Academy Principal leadership recruitment, mentoring, and support and performance management. REACH2 will provide the wider performance management framework for educational standards in each academy. REACH2 will also

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

provide MAT Governance support for policy development and statutory duties.

2. REAch2 Group Leadership

The REAch2 Group Leadership will be increased to ensure appropriate skill and capacity mix for the size of organisation.

3. Education Performance and Intervention Staff

REAch2 will have a 'rapid deployment' education intervention team that is additional to our growing school based capacity to support other schools.

A key element of the performance monitoring is the use of experienced HMI commissioned to carry out 'Moderated Trust Inspections' (MTI).

The Trust will provide curriculum and behaviour guidance for its MATs along with targeted professional development programmes.

4. Business and Administration

This capacity will be used to the benefit of the whole group in order to bring benefits of value for money and economies of scale to individual academies.

The key capacity areas will be:

- a. Finance and Accountancy
- b. Procurement
- c. Insurance
- d. Project Management
- e. Administration

5. Back Office Support for Individual Academies

- a. Accountancy systems
- b. Full Accountancy support including centralised reconciliation and reporting.
- c. Payroll provision.
- d. Full HR Support and Management.
- e. Employment insurance.
- f. Procurement and tendering for group based procurement frameworks and contracts (day to day incidental procurement will remain with academies)
- g. Emergency and disaster recovery support.
- h. Facilities and capital project management.

The Academy Trust retains a percentage of each academy's monthly EFA income in order to provide these services. The percentage retention for the period to 31 August 2014 was 4%.

Where greater benefit can be achieved for the Academy Trust, by the provision of services across the wider REAch2 Group, then the Academy Trust purchases those services through a set contribution to the charity, REAch2 Ltd, on a not-for-profit basis.

c. PUBLIC BENEFIT

In setting the objectives, the governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

Strategic report

Achievements and performance

a. GOING CONCERN

After making appropriate enquiries, the board of directors has a reasonable expectation that the academy has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

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 Accounting Policies.

b. REVIEW OF ACTIVITIES

Academy	Date Joined REAch2	Sponsor/ Converter /New Provision	Level 4+				Level 5+				2013/14 Comparison		Above Floor
			Reading %	Writing %	Maths %	Reading, Writing & Maths combined	Reading %	Writing %	Maths %	Reading, Writing & Maths combined	2013 Combined Level 4+	+/- 2013	Y/N
Riverside Academy	1 Nov 12	Fast track sponsored	96	81	92	81	27	19	23	12	70	11	YES
Oakfield Primary School	1 Nov 12	Fast track sponsored	95	80	85	80	60	20	40	20	75	5	YES
Racemeadow Primary Academy	1 Nov 13	Fast track sponsored	86	71	83	71	31	17	23	11	60	11	YES

Since Riverside Academy reopened as an Academy in 2012 there has been a relentless and effective drive to eradicate a legacy of under-performance and poor teaching. In May 2014, this hard work was rewarded with a judgement of 'Good' by Ofsted. The Head teacher is strong and striving to move the school to Outstanding. The 2014 KS2 SATs results are a reflection of this with maths and reading results being above national data and writing, just below. However, these children made outstanding progress, well above national expectations.

Oakfield Primary School is a rapidly changing and developing school. The school became part of the REAch2Warwickshired in November 2012 and was judged as Requiring Improvement by Ofsted in June 2014. It has since received an HMI visit which judged the school as taking effective action to address the areas for development. Children at the end of KS2 attained L4+ results in line with national averages in writing and math's, but were above in reading, particularly at L5+. Progress was also above national averages in reading and math's.

Racemeadow Primary Academy opened as a REAch2 sponsored academy on November 1st 2013, having been placed in Special Measures in April 2013. Although results at the end of KS2 in July 2014 were improved on 2013, attainment and value added progress rates remain significantly below national. The Headteacher worked within a formal support plan in the autumn term 2014, at the end of which a Moderated Trust Inspection in November 2014 found that the school was likely to be judged inadequate in all areas. As a result of this unacceptable outcome, REAch2, through a new Acting Executive Principal, has intervened strongly, notifying the Headteacher of the commencement of capability procedures and putting a new interim leadership team in place, headed up by a highly effective Executive Headteacher, and intensive support team of Outstanding Teacher and Leader Mentors.

Financial review

a. PRINCIPAL RISKS AND UNCERTAINTIES

The governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The governors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The academy has an effective system of internal financial controls and this is explained in more detail in the statement on internal control.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

b. RESERVES POLICY

The level of reserves held takes into account the nature of income and expenditure streams, the need to match them with commitments, including future capital projects, and the nature of reserves. The governors will keep this level of reserves under review.

Reserves at the end of the period amounted to £13,185,416.

c. PRINCIPAL FUNDING

The Charitable Company was incorporated on 25th October 2012 and commenced operating as an Academy Trust on 1st November 2012. No activities were carried on by the company from the date of incorporation until 1st November 2012, when the net assets of the Oakfield Academy and Riverside Academy were transferred to the Charitable Company.

Most of the Academy's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Academy Trust also received grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, "Accounting for Reporting by Charities" (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Under the Charities SORP, it is necessary to charge projected deficits on the Local Government Pension Scheme, which is provided to support staff, to a restricted fund. This results in reducing reserves shown in the total funds of the Academy. It should be noted that this does not present the Academy with any current liquidity problem. The employer contributions are currently being assessed and it is expected that they will increase to bring a further reduction in this pension deficit in future, although this may not be achieved until stock market investment values start to recover.

d. MATERIAL INVESTMENTS POLICY

Investment policies are determined at academy level, this is agreed by the local Governing Body. This ensures the level of funds the Academy holds can cover any immediate expenditure, without exposing the Academies to additional risk. Should any potential Investment opportunity arise this would be escalated to the board for consideration. The most typical investments that are held by academies, are the Special Interest Deposit accounts which are immediately available to draw against.

Plans for future periods

a. FUTURE DEVELOPMENTS

The Trust has a declared aim to grow to a minimum of six primary academies over a four-year period. The Academy Trust intends to give greater resilience to its financial management through the membership of a centralised REAch2 Group Financial Monitoring and Reporting service.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)


TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report, incorporating the Strategic report, was approved by order of the board of directors, as the company directors, on 22 December 2014 and signed on the board's behalf by:



Dean Ashton
Trustee

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Directors, we acknowledge we have overall responsibility for ensuring that REAch2Warwickshire Academy Trust 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 directors has delegated the day-to-day responsibility to the Executive Principal (referred to in the Articles as the Executive Director), 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 Master Funding Agreement and Supplementary Funding Agreements between REAch2Warwickshire Academy Trust and the Secretary of State for education. They are also responsible for reporting to the Board of directors any material weakness or breakdowns in internal control.

The board of directors have delegated the day-to-day governance of the individual academies to the Local Governing Bodies. REAch2Warwickshire Academy Trust is responsible for three academies during the period 1 September 2013 to 31 August 2014, Riverside Academy, Oakfield Primary Academy and Racemeadow Primary Academy. The Local Governing Body operates within a Scheme of Delegation described within the Articles of the company.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' Responsibilities.. The board of directors has formally met 3 times during the year. Attendance during the year at meetings of the board of directors was as follows:

Trustee	Meetings attended	Out of a possible
Cathie Paine, Chair	3	3
Steve Lancashire	0	3
Dean Ashton	2	3
David Tingle, Principal Executive	3	3
Anita Willars	1	1

The Finance and General Purposes Committee is a sub-committee of the main board of directors. Its purpose is to receive financial monitoring reports from individual academies and consider individual academy budget proposals for authorisation. The committee was established in July 2013.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Steve Lancashire	1	1
Cathie Paine	1	1
Dean Ashton	1	1

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 ongoing 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 REAch2Warwickshire Academy Trust for the year 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

CAPACITY TO HANDLE RISK

The board of directors 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 directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 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 directors.

THE RISK AND CONTROL FRAMEWORK

The Executives directors, Steve Lancashire, Cathie Paine and Dean Ashton meet on a weekly basis to review on-going educational, financial and operational risks. Where risks are identified these are appropriately referred to the Board of Directors or Local Governing Body as appropriate. The academy trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- School Finance officer identified for each academy.
- Financial support and monitoring provided by the Trust to each academy, through an external provider and a growing internal capacity, that supports the day-to-day financial management and provides a direct reporting channel to the Director of Business and Finance, Dean Ashton, if concerns or risks are identified.
- Routine financial monitoring reports provided to the Board directly or through the Finance and General Purposes Committee.
- A financial procedures and financial scheme of delegation for the Trust that applies consistently to all academies. The financial procedures set out clear guidelines for purchasing.
- The commissioning of 'Moderated Trust Inspections' using independent HMI to assess the educational performance of individual academies.
- A performance management framework that provides a comprehensive assessment of the academies performance each term, known as SOAP (School on a Page).
- A close working relationship with the Executive Principals and the Accounting Officer for each academy ensuring that coaching, expert advice and quality of teaching are being achieved in every academy.
- A financial management system (FMS) within each academy that is 'virtual' in that allows individual academy accounts to be monitored remotely by the Trusts Head of Finance and its external financial support provider.
- The FMS has a 'cloud based' back up system that automatically stores the previous four days of incremental backups and a full weekly backup on a Friday, which are stored for five weeks.
- A financial planning tool within each academy that is 'virtual' in that allows individual academy accounts to be monitored remotely by the Trust and its external financial support provider.

The board of directors has not appointed an internal auditor. However the directors have appointed an external provider, Strictly Education Limited, to perform the role of Responsible Officer (RO). RO reports are carried out three times a year. For the Academies with the REAch2Warwickshire Academy Trust the reports are considered at the termly Board meetings, the latest being July 2014.

REVIEW OF EFFECTIVENESS

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

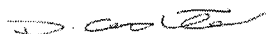
- the work of the Responsible Officer;
- the work of the external auditor;
- financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework;

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

The accounting officer has taken account of the information available from the relevant sources and action is in hand to address concerns and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of directors on 22 December 2014 and signed on its behalf, by:



Dean Ashton
Trustee



Gill Ellyard
Acting Executive Principal (Accounting Officer)

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of REAch2Warwickshire Academy Trust I have considered my responsibility to notify the academy trust board of directors 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 (2013).

I confirm that I and the academy trust board of directors 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 (2013).

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 directors and EFA.



Gill Ellyard
Acting Accounting Officer

Date: 22 December 2014

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014

The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report (including the Strategic Report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:


- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of directors on 22 December 2014 and signed on its behalf by:



Dean Ashton
Trustee

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF REACH2WARWICKSHIRE
ACADEMY TRUST**

We have audited the financial statements of REACH2Warwickshire Academy Trust for the year ended 31 August 2014 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

This report is made solely to the academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 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
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.


REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF REACH2WARWICKSHIRE
ACADEMY TRUST**

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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

 for Landau Baker Limited

Michael Durst (Senior statutory auditor)

for and on behalf of

Landau Baker Limited

Chartered Accountants
Statutory Auditors

Mountcliff House
154 Brent Street
London
NW4 2DR
22 December 2014

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO
REACH2WARWICKSHIRE ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 14 November 2012 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 REAch2Warwickshire Academy Trust during the year 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 REAch2Warwickshire Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to REAch2Warwickshire Academy Trust and 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 REAch2Warwickshire Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF REACH2WARWICKSHIRE ACADEMY TRUST'S ACCOUNTING
OFFICER AND THE REPORTING ACCOUNTANT**

The accounting officer is responsible, under the requirements of REAch2Warwickshire Academy Trust's funding agreement with the Secretary of State for Education dated 1 November 2012, and the Academies Financial Handbook extant from 1 September 2013, 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 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 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's income and expenditure.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO
REACH2WARWICKSHIRE ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

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

Michael Durst for Landau Baker Limited

Michael Durst (Senior statutory auditor), for and on behalf of

Landau Baker Limited

Chartered Accountants
Statutory Auditors

Mountcliff House
154 Brent Street
London
NW4 2DR

22 December 2014

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account and statement of total recognised gains and losses)
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 £
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	2	33,383	(178,000)	9,829,352	9,684,735	4,095,937
Investment income	3	1,123	-	-	1,123	398
Incoming resources from charitable activities	4	-	3,359,448	35,066	3,394,514	1,929,883
TOTAL INCOMING RESOURCES		34,506	3,181,448	9,864,418	13,080,372	6,026,218
RESOURCES EXPENDED						
Costs of generating funds:						
Costs of generating voluntary income	5	22,962	-	-	22,962	-
Charitable activities		-	3,330,884	168,059	3,498,943	1,879,772
Governance costs	6	-	88,219	-	88,219	107,278
TOTAL RESOURCES EXPENDED	9	22,962	3,419,103	168,059	3,610,124	1,987,050
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS		11,544	(237,655)	9,696,359	9,470,248	4,039,168

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

		Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £
	Note					
Transfers between Funds	20	-	(3,057)	3,057	-	-
NET INCOME FOR THE YEAR		11,544	(240,712)	9,699,416	9,470,248	4,039,168
Actuarial gains and losses on defined benefit pension schemes		-	(319,000)	-	(319,000)	(5,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		11,544	(559,712)	9,699,416	9,151,248	4,034,168
<i>Total funds at 1 September 2013</i>		<i>20,111</i>	<i>(408,973)</i>	<i>4,423,030</i>	<i>4,034,168</i>	<i>-</i>
TOTAL FUNDS AT 31 AUGUST 2014		31,655	(968,685)	14,122,446	13,185,416	4,034,168

All activities relate to continuing operations.

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

The notes on pages 23 to 41 form part of these financial statements.

REACH2WARWICKSHIRE ACADEMY TRUST

(A company limited by guarantee)
REGISTERED NUMBER: 08269155

**BALANCE SHEET
AS AT 31 AUGUST 2014**

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	17		14,122,446		4,423,030
CURRENT ASSETS					
Debtors	18	194,046		66,372	
Cash at bank and in hand		292,600		221,539	
		<u>486,646</u>		<u>287,911</u>	
CREDITORS: amounts falling due within one year	19	(216,676)		(63,773)	
NET CURRENT ASSETS			269,970		224,138
TOTAL ASSETS LESS CURRENT LIABILITIES			14,392,416		4,647,168
Defined benefit pension scheme liability	25	(1,207,000)		(613,000)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			<u>13,185,416</u>		<u>4,034,168</u>
FUNDS OF THE ACADEMY					
Restricted funds:					
Restricted funds	20	238,315		204,027	
Restricted fixed asset funds	20	14,122,446		4,423,030	
Restricted funds excluding pension liability		14,360,761		4,627,057	
Pension reserve		<u>(1,207,000)</u>		<u>(613,000)</u>	
Total restricted funds			13,153,761		4,014,057
Unrestricted funds	20		31,655		20,111
TOTAL FUNDS			<u>13,185,416</u>		<u>4,034,168</u>

The financial statements were approved by the Trustees, and authorised for issue, on 22 December 2014 and are signed on their behalf, by:


Dean Ashton
Trustee


Gill Ellyard
Acting Executive Principal

The notes on pages 23 to 41 form part of these financial statements.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014**

	Note	2014 £	2013 £
Net cash flow from operating activities	22	75,241	37,416
Returns on investments and servicing of finance	23	(1,123)	(384)
Capital expenditure and financial investment	23	(18,916)	(29,239)
Cash transferred on conversion to an academy trust	24	15,859	213,746
INCREASE IN CASH IN THE YEAR		71,061	221,539

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2014**

	2014 £	2013 £
Increase in cash in the year	71,061	221,539
MOVEMENT IN NET FUNDS IN THE YEAR	71,061	221,539
Net funds at 1 September 2013	221,539	-
NET FUNDS AT 31 AUGUST 2014	292,600	221,539

The notes on pages 23 to 41 form part of these financial statements.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**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.

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

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

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.

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

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 £2,000 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.

The policy with respect to impairment reviews of fixed assets is to carry out a review of a fixed asset 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.

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	- 10 years
Computer equipment	- 3 years

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

**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 25, 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.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.9 Conversion to an academy trust

The conversion of Racemeadow Primary Academy from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Racemeadow Primary School to an academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for REAch2Warwickshire Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

The property on which Racemeadow Primary Academy carries on operations is held on a 125 year lease from Warwickshire County Council (WCC). This has been valued by the District Valuation Service at 1 November 2013 and is carried in the accounts at that valuation less depreciation over the remaining life of the lease.

The property on which Oakfield Primary School carries on operations is held on a 125 year lease granted by WCC on 23 January 2014 and is carried in the accounts at a valuation by the District Valuation Service as at 1 November 2012, the date on which the school converted to academy status, less depreciation over the remaining life of the lease.

Further details of the transaction are set out in note 24.

2. VOLUNTARY INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Donations	33,383	-	33,383	19,713
Assets gifted by predecessor schools	-	9,651,352	9,651,352	4,076,224
	<u>33,383</u>	<u>9,651,352</u>	<u>9,684,735</u>	<u>4,095,937</u>

3. INVESTMENT INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Investment income	1,123	-	1,123	398
	<u>1,123</u>	<u>-</u>	<u>1,123</u>	<u>398</u>

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

4. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Educational activities	-	3,394,514	3,394,514	1,929,883
	-	3,394,514	3,394,514	1,929,883

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
DfE/EFA revenue grants				
GAG	-	2,528,628	2,528,628	1,368,121
Other EFA grants	-	400,238	400,238	214,973
LA and other government grants	-	318,749	318,749	292,630
Generated income	-	146,899	146,899	54,159
	-	3,394,514	3,394,514	1,929,883

5. COSTS OF GENERATING VOLUNTARY INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Trip expenditure	22,962	-	22,962	-

6. GOVERNANCE COSTS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Internal audit costs	-	1,528	1,528	531
Auditors' remuneration	-	21,500	21,500	7,400
Governance Auditors' non audit costs	-	8,500	8,500	-
Legal services	-	7,613	7,613	1,385
Payroll services	-	36,797	36,797	2,752
Start up and conversion costs	-	-	-	95,210
Responsible officer & finance consulting	-	10,562	10,562	-
Governor services	-	1,719	1,719	-
	-	88,219	88,219	107,278

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

7. DIRECT COSTS

	Educational activities £	Total 2014 £	Total 2013 £
Educational non-ICT supplies	119,872	119,872	86,374
Educational ICT supplies	34,133	34,133	5,940
Educational consultancy	42,785	42,785	21,138
Staff development and training	27,585	27,585	10,644
Staff recruitment	1,460	1,460	4,524
Other direct costs	50,289	50,289	25,186
Supply teaching costs	105,849	105,849	33,530
MAT service provision	32,811	32,811	25,109
Redundancy costs	28,816	28,816	-
Wages and salaries	1,654,218	1,654,218	971,581
National insurance	69,275	69,275	55,021
Pension cost	234,404	234,404	135,487
	<u>2,401,497</u>	<u>2,401,497</u>	<u>1,374,534</u>

8. SUPPORT COSTS

	Educational activities £	Total 2014 £	Total 2013 £
Pension income	31,000	31,000	19,000
Other direct costs	14,954	14,954	-
Maintenance of buildings	25,299	25,299	-
Grounds maintenance	9,269	9,269	-
Cleaning	45,282	45,282	4,887
Rent and rates	13,170	13,170	-
Energy costs	59,594	59,594	45,384
Other occupation costs	16,195	16,195	34,130
Insurance	56,951	56,951	39,976
Catering	67,818	67,818	67,006
Other support costs	54,554	54,554	27,014
Support supply staff	21,226	21,226	-
Wages and salaries	387,596	387,596	144,578
National insurance	13,419	13,419	7,783
Pension cost	113,060	113,060	43,794
Depreciation	168,059	168,059	71,687
	<u>1,097,446</u>	<u>1,097,446</u>	<u>505,239</u>

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

9. RESOURCES EXPENDED

	Staff costs	Non Pay Depreciation	Expenditure Other costs	Total	Total
	2014	2014	2014	2014	2013
	£	£	£	£	£
Costs of generating voluntary income	-	-	22,962	22,962	-
Costs of generating funds	-	-	22,962	22,962	-
Educational activities	2,092,560	-	308,937	2,401,497	1,374,534
Support costs - Educational activities	535,301	168,059	394,086	1,097,446	505,239
Charitable activities	2,627,861	168,059	703,023	3,498,943	1,879,773
Governance	-	-	88,219	88,219	107,277
	2,627,861	168,059	814,204	3,610,124	1,987,050

Included within resources expended are the following transactions. Individual transactions exceeding £5,000 are identified separately:

	Total £	Individual items above £5,000
	Amount £	Reason
Ex-gratia/compensation payments	28,816	-

10. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2014 £	Support costs 2014 £	Total 2014 £	Total 2013 £
Educational activities	2,401,497	1,097,446	3,498,943	1,879,773

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

11. NET INCOMING / (OUTGOING) RESOURCES

This is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the charity	168,059	71,687
Auditors' remuneration	21,500	7,400
Auditors' remuneration - non-audit	8,500	-
Governance Internal audit costs	1,528	531
	<u>168,059</u>	<u>71,687</u>

12. STAFF

a. Staff costs

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	2,041,814	1,116,159
Social security costs	82,693	62,804
Other pension costs (Note 25)	347,463	179,281
	<u>2,471,970</u>	<u>1,358,244</u>
Supply teacher costs	105,849	33,530
Support supply costs	21,226	-
Redundancy costs	28,816	-
	<u>2,627,861</u>	<u>1,391,774</u>

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.
Teaching staff	31	20
Support staff	49	37
Management	3	2
	<u>83</u>	<u>59</u>

c. Higher paid staff

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

	2014 No.	2013 No.
In the band £60,001 - £70,000	1	0

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

12. STAFF (continued)

The above staff member belongs to the Teachers' Pension Scheme and contributions by the academy in respect of this staff member amounted to £8,727.

13. CENTRAL SERVICES

The parent company has provided the following central services to its academies during the year:

- Human Resources (HR) support services
- HR insurance for litigation claims
- Full payroll service
- Financial systems annual licence
- Financial planning system licence
- Financial support
- Insurance procurement

The parent company charges for these services on the following basis:

4% of Budget Share and Education Services Grant income.

The actual amounts charged during the year were as follows:

	2014 £
Riverside Academy	21,785
Oakfield Primary School	17,621
Racemeadow Primary Academy	15,166
Total	<u>54,572</u>

14. TRUSTEES' REMUNERATION AND EXPENSES

During the year retirement benefits were accruing to 1 Trustee (2013 - 1) in respect of defined benefit pension schemes.

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 £'000	2013 £'000
Sue Dutton, Principal Director: Riverside Academy	60-65	50-55
Catherine Crofts, Principal: Oakfield Primary Academy	30-35	
Deborah Brook, Principal: Racemeadow Primary Academy	50-55	

During the year, no Trustees received any reimbursement of expenses (2013 - £NIL).

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

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 £2,208 (2013 - £2,208). The cost of this insurance is included in the total insurance cost.

16. OTHER FINANCE INCOME

	2014 £	2013 £
Expected return on pension scheme assets	28,000	8,000
Interest on pension scheme liabilities	(59,000)	(27,000)
	<u>(31,000)</u>	<u>(19,000)</u>

17. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 September 2013	4,296,293	78,032	120,392	4,494,717
Additions	9,844,232	-	23,243	9,867,475
At 31 August 2014	<u>14,140,525</u>	<u>78,032</u>	<u>143,635</u>	<u>14,362,192</u>
Depreciation				
At 1 September 2013	30,889	6,904	33,894	71,687
Charge for the year	110,659	7,802	49,598	168,059
At 31 August 2014	<u>141,548</u>	<u>14,706</u>	<u>83,492</u>	<u>239,746</u>
Net book value				
At 31 August 2014	<u>13,998,977</u>	<u>63,326</u>	<u>60,143</u>	<u>14,122,446</u>
At 31 August 2013	<u>4,265,404</u>	<u>71,128</u>	<u>86,498</u>	<u>4,423,030</u>

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

18. DEBTORS

	2014 £	2013 £
Trade debtors	45,730	10,222
Amounts owed by group undertakings	-	38,767
Other debtors	98,070	7,880
Prepayments and accrued income	28,564	9,503
Grants Receivable	21,682	-
	<u>194,046</u>	<u>66,372</u>

**19. CREDITORS:
Amounts falling due within one year**

	2014 £	2013 £
Trade creditors	63,604	3,724
Amounts owed to group undertakings	4,244	-
Other taxation and social security	34,856	24,974
Other creditors	-	1,250
Accruals and deferred income	113,972	33,825
	<u>216,676</u>	<u>63,773</u>

20. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds - all funds	20,111	34,506	(22,962)	-	-	31,655
Restricted funds						
Restricted Funds - all funds	204,027	3,359,448	(3,322,103)	(3,057)	-	238,315
Pension reserve	(613,000)	(178,000)	(97,000)	-	(319,000)	(1,207,000)
	<u>(408,973)</u>	<u>3,181,448</u>	<u>(3,419,103)</u>	<u>(3,057)</u>	<u>(319,000)</u>	<u>(968,685)</u>

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

20. STATEMENT OF FUNDS (continued)

Restricted fixed asset funds

Restricted Fixed Asset Funds - all funds	4,423,030	9,864,418	(168,059)	3,057	-	14,122,446
Total restricted funds	4,014,057	13,045,866	(3,587,162)	-	(319,000)	13,153,761
Total of funds	4,034,168	13,080,372	(3,610,124)	-	(319,000)	13,185,416

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

All funds originated from assets gifted by the predecessor school. In addition:

Restricted fixed asset funds have been increased by capital grants provided by the DfE and reduced by depreciation charges.

Restricted general funds have been increased by 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 terms of limitations imposed the the Funding Agreement with the DfE and the terms of any specific grant.

Unrestricted funds have been increased by voluntary contributions by parents and reduced by expenditure incurred in the operation of the academy.

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.

Analysis of academies by fund balance

Fund balances at 31 August 2014 were allocated as follows:

	Total £
Riverside Academy	170,848
Oakfield Primary School	77,415
Racemeadow Primary Academy	30,982
MAT trust balance	(9,275)
Total before fixed asset fund and pension reserve	269,970
Restricted fixed asset fund	14,122,446
Pension reserve	(1,207,000)
Total	13,185,416

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

20. STATEMENT OF FUNDS (continued)

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Riverside Academy	616,647	155,611	104,847	154,699	1,031,804
Oakfield Primary School	765,461	143,442	118,469	172,156	1,199,528
Racemeadow Primary Academy	710,455	77,229	37,458	176,389	1,001,531
FRS17 expenditure not allocated	-	66,000	-	31,000	97,000
MAT costs not allocated	-	93,016	-	19,186	112,202
	<u>2,092,563</u>	<u>535,298</u>	<u>260,774</u>	<u>553,430</u>	<u>3,442,065</u>

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	20,111	34,506	(22,962)	-	-	31,655
Restricted funds	(408,973)	3,181,448	(3,419,103)	(3,057)	(319,000)	(968,685)
Restricted fixed asset funds	4,423,030	9,864,418	(168,059)	3,057	-	14,122,446
	<u>4,034,168</u>	<u>13,080,372</u>	<u>(3,610,124)</u>	<u>-</u>	<u>(319,000)</u>	<u>13,185,416</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	-	-	14,122,446	14,122,446	4,423,030
Current assets	31,655	454,991	-	486,646	289,978
Creditors due within one year	-	(216,676)	-	(216,676)	(65,840)
Provisions for liabilities and charges	-	(1,207,000)	-	(1,207,000)	(613,000)
	<u>31,655</u>	<u>(968,685)</u>	<u>14,122,446</u>	<u>13,185,416</u>	<u>4,034,168</u>

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Net incoming resources before revaluations	9,470,248	4,039,168
Returns on investments and servicing of finance	1,123	384
Assets gifted by predecessor schools	(9,651,352)	(4,076,224)
Depreciation of tangible fixed assets	168,059	71,687
Capital grants from DfE	(35,066)	-
Increase in debtors	(127,674)	(68,440)
Increase in creditors	152,903	65,841
FRS 17 adjustments	97,000	5,000
Net cash inflow from operations	75,241	37,416

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	(1,123)	(384)
	2014 £	2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(53,982)	(51,773)
Capital grants from DfE	35,066	22,534
Net cash outflow capital expenditure	(18,916)	(29,239)

24. CONVERSION TO AN ACADEMY TRUST

On 1 November 2013 Racemeadow Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to REAch2Warwickshire Academy Trust from Warwickshire County Council for £NIL consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of financial activities as voluntary income.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of financial activities.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

24. CONVERSION TO AN ACADEMY TRUST (continued)

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
Leasehold land and buildings	-	-	9,803,493	9,803,493
- Other tangible fixed assets	-	-	10,000	10,000
Budget surplus/(deficit) on LA funds	-	-	15,859	15,859
LGPS pension surplus/(deficit)	-	(178,000)	-	(178,000)
Net assets/(liabilities)	-	(178,000)	9,829,352	9,651,352

The above net assets include £15,859 that were transferred as cash.

25. 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 Warwickshire County Council Pension Fund. 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 2013.

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.

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:

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

25. PENSION COMMITMENTS (continued)

- 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% 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 £189,000, of which employer's contributions totalled £144,000 and employees' contributions totalled £45,000. The agreed contribution rates for future years are 19% for employers and 7.5% for employees.

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

25. PENSION COMMITMENTS (continued)

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	(1,998,000)	(882,000)
Fair value of scheme assets	791,000	269,000
	<u>(1,207,000)</u>	<u>(613,000)</u>

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

	2014 £	2013 £
Current service cost	(210,000)	(98,000)
Interest on obligation	(59,000)	(27,000)
Expected return on scheme assets	28,000	8,000
	<u>(241,000)</u>	<u>(117,000)</u>
Total	(241,000)	(117,000)
	<u>57,000</u>	<u>27,000</u>

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

	2014 £	2013 £
Opening defined benefit obligation	882,000	709,000
Current service cost	210,000	98,000
Interest cost	59,000	27,000
Contributions by scheme participants	45,000	25,000
Actuarial Losses	468,000	23,000
Liabilities assumed in a business combination	335,000	-
Benefits paid	(1,000)	-
	<u>1,998,000</u>	<u>882,000</u>

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

25. PENSION COMMITMENTS (continued)

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

	2014 £	2013 £
Opening fair value of scheme assets	269,000	140,000
Expected return on assets	28,000	8,000
Actuarial gains and (losses)	149,000	18,000
Contributions by employer	144,000	78,000
Contributions by employees	45,000	25,000
Assets acquired in a business combination	157,000	-
Benefits paid	(1,000)	-
	<u>791,000</u>	<u>269,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £503,000 (2013 - £5,000).

The academy expects to contribute £259,000 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	2013
Equities	68.00 %	68.00 %
Bonds	21.00 %	22.00 %
Property	10.00 %	9.00 %
Cash	1.00 %	1.00 %

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

	2014	2013
Discount rate for scheme liabilities	3.70 %	4.60 %
Expected return on scheme assets at 31 August	5.50 %	5.80 %
Rate of increase in salaries	4.50 %	5.10 %
Rate of increase for pensions in payment / inflation	2.70 %	2.80 %

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	22.4	21.9
Females	24.4	23.6
Retiring in 20 years		
Males	24.3	22.8
Females	26.6	25.9

REACH2WARWICKSHIRE ACADEMY TRUST
(A company limited by guarantee)

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

25. PENSION COMMITMENTS (continued)

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2014 £	2013 £
Defined benefit obligation	(1,998,000)	(882,000)
Scheme assets	791,000	269,000
Deficit	<u>(1,207,000)</u>	<u>(613,000)</u>
Experience adjustments on scheme liabilities	(468,000)	(23,000)
Experience adjustments on scheme assets	<u>149,000</u>	<u>18,000</u>

26. RELATED PARTY TRANSACTIONS

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

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

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

REACH2 Limited is the ultimate parent undertaking and controlling party. As at 31 August 2014, an amount of £4,244 was due by Reach2 Warwickshire Academy Trust to REACH2 Limited (2013: £38,767 due to REACH2 Limited).

Management fee income receivable by REACH2 Limited from the academy amounted to £54,572 in the period (2013: £28,072).