

The Rural Enterprise Academy
(A Company Limited by Guarantee)
Report and Financial Statements
Year Ended 31 August 2013



The Rural Enterprise Academy

Contents

Reference and Administrative Details	2
Governors' Report	3
Governance Statement	6
Statement on Regularity, Propriety and Compliance	8
Statement of Governors Responsibilities	9
Independent Auditor's Reports	10
Statement of Financial Activities incorporating Income & Expenditure Account	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Financial Statements, incorporating:	
Statement of Accounting Policies	16
Other Notes to the Financial Statements	18

The Rural Enterprise Academy

Reference and Administrative Details

Governors (Trustees)	G M Morley (Chair) R Faulkner W L Trigg M Robertson (resigned 19/04/2013) W Avery S Bard R G P Boucherat (apptd 29/07/2013) A Congrave (Staff governor – apptd 26/03/2013) R Fairweather C Felgate (Parent governor – apptd 16/10/2012 – resigned 22/11/2012) L Makin (Principal and Accounting Officer (apptd 1/9/2012)) Will McKinnell (Parent governor – apptd 26/03/2013) J Mercer A Perry (Parent governor – apptd 16/10/2012)
	<i>(Governors were appointed on 13/7/2012 unless indicated otherwise)</i>
Company Secretary	C Simmons (resigned 30/01/2013) V Howard (apptd 11/03/2013)
Principal	L Makin
Principal and Registered Office	Rodbaston, Penkridge, Staffordshire, ST19 5PH
Company Registration Number	7652211
Independent Auditor	KPMG LLP, One Snowhill, Birmingham B4 6GH
Bankers	Yorkshire Bank, Temple Point, 1 Temple Row Birmingham B2 5YB
Solicitors	Pickering & Butters, 19 Greengate Street Stafford, ST16 2LU

The Rural Enterprise Academy

Governors' Report

The governors present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2012 to 31 August 2013.

Structure, Governance and Management

Constitution

The academy is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the academy trust.

The governors act as the trustees for the charitable activities of The Rural Enterprise Academy and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as The Rural Enterprise Academy and was incorporated on 31st May 2011.

Details of the governors who served throughout the year are included in the Reference and Administrative Details on page 2.

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.

Insurance cover to £1m has been in place for governor liability for the period of accounts.

Principal Activities

The main purpose is to establish, maintain, continue, manage and develop a school offering a broad and balanced curriculum. The Academy enables young people from the age of 14 years, to gain a broad education with traditional and essential qualifications such as English, Maths and Science, and the opportunity to link learning wherever possible to rural enterprise, environmental sustainability and land-based subjects.

Method of Recruitment and Appointment or Election of governors

South Staffordshire College as lead sponsor of TREA set up the Trust comprising of four members. The four members may appoint up to 6 governors. The members may appoint staff governors provided the total number of governors (including the Principal) who are employees of the Academy does not exceed one third of the total number of governors. Parent governors are elected by parents of the registered pupils at the Academy. The members may appoint 1 governor from each of the NFU and Veolia.

Organisational Structure

Members of the Governing Body are detailed on page 2 of this report. The Governors make the key decisions for and determine the general policies of the Academy and meet at least three times a year as a full board and receives reports from the sub committees. There are three sub-committees that support the Board; Audit and Performance which are scheduled to meet three times per year and remuneration which meets as and when required.

Risk Management

The Academy gave priority to risk management and as such ensured an assessment of key business risks was undertaken with approval of the risk register prior to the commencement of the year. This has been monitored by the Audit Committee and the Board throughout the year. Key business risk related to quality of provision and the finances of the Academy.

The Rural Enterprise Academy

Governors' Report (continued)

A risk register is maintained at the Academy level which is reviewed at each meeting of the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Academy and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Connected Organisations, including Related Party Relationships

The Academy is supported by South Staffordshire College who are the lead sponsor and provided resources and expertise to establish the free school on its campus at Rodbaston. Two companies, the NFU and Veolia are also sponsors who contribute to the running of the Academy by involvement as Governor's and as ambassadors for TREA in their respective industries. The sponsors are committed to assisting with marketing and promoting the academy especially within the land-based sector.

Auditors

The board of governors at their meeting on 13/7/12 appointed both internal and external auditors for the period to 31/7/13.

Objectives and Activities

Objects and Aims

The aim of the Academy is to enable young people from the age of 14, to gain a broad education with traditional and essential qualifications such as English, Maths and Science, as well as the opportunity to link learning, wherever possible, to rural enterprise, environmental sustainability and land-based subjects.

Objectives, Strategies and Activities

The main financial objective of the Academy for the first year of operation was to achieve at least a break even budget and achieve a positive cash flow.

Much work has been undertaken in year to develop strategies to ensure that the quality of teaching and learning within the Academy is effective in supporting its pupils to succeed and that the pastoral care provides a safe and secure environment.

Public Benefit

The Academy has a marketing strategy that promotes the facilities for recreation and other leisure time for individuals who have need of such facilities to improve the condition of life of those individuals.

It addresses a skills shortage and should encourage a resurgence of rural enterprise. The governors have referred to the guidance issued by the Charity commission on public benefit.

Achievements and Performance

The Academy opened to its first cohort of pupils into year 10 on September 2012. All staff had been recruited for the start of the academic year.

Going Concern

After making appropriate enquiries, the governing body has a reasonable expectation that the academy trust has adequate resources to operate for the foreseeable future. For this reason it adopts the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

The Rural Enterprise Academy

Governors' Report (continued)

Key Financial Performance Indicators

For its first year of operation the Academy was required to achieve a break even budget and maintain a positive cash balance. Both of these were achieved.

Financial Review

Overall the Academy generated net incoming resources for the year of £2.6 million, including the capital grant funding from the DfE of £2.4 million which has been received into the restricted fixed asset fund.

Excluding the fixed asset fund, the Academy realised total net incoming resources of £37k with total grant income of £397k from the DfE/EFA offset by expenditure of £362k, the majority of which related to staff costs.

As at 31 August 2013 the net book value of fixed assets was £4,916k. In year additions totalled £2,383k relating mainly to completion of the new build. The Academy had cash at bank and in hand totalling £114k.

Principal Risks and Uncertainties

The Academy had a risk management process in place that identified key risks and reported progress towards mitigating the risks termly to the Audit Committee and Board. The key risks identified included the recruitment of sufficient learners to ensure financial viability and failure to achieve high quality provision and outcomes.

Reserves Policy

The Governors will review the reserve levels of the academy annually taking into account the nature of income and expenditure streams. The Governors have determined that the Academy will aim towards building up reserves to an appropriate level as the Academy grows in size. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Academy's level of unrestricted reserves after its first year of operation is £16k. Any use of these unrestricted reserves requires approval by the Board. The level of restricted funds at the period end including the restricted fixed asset fund and the pension reserve, amounted to £1,034k

Investment Policy

The academy trust will invest any surplus monies on deposit with major UK clearing banks.

Plans for Future Periods

From September 2013, the second year of operation the Academy enrolled an additional 52 learners into year 10 whilst 33 learners progressed to year 11. It is expected that year 10 starts will continue to increase as the school becomes established. Plans are also underway to open a sixth form from September 2014 in line with approval contained in the funding agreement with the Department for Education. The growth in numbers can be accommodated within the existing buildings occupied by the Academy.

Auditor

In so far as the governors are aware:

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

Approved by order of the members of the governing body on 10th December 2013 and signed on its behalf by:

G Morley
Chair



The Rural Enterprise Academy

Governance Statement

Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that The Rural Enterprise Academy 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 governing body has delegated the day-to-day responsibility to the Principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Rural Enterprise Academy and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the governors' Report and in the Statement of governors' responsibilities. The governing body has formally met 4 times during the year, as did the Audit committee and Performance committee.

Overall attendance during the year at meetings of the governing body was 76%.

The Performance Committee is a sub-committee of the main board of governors.

The main purpose of the Performance Committee is to consider and advise the Board on any matter relating to Academy policy, including: Quality, Finance, Risk management, Estates and HR.

Overall attendance at meetings in the year was 69%

The Audit Committee is also a sub-committee of the main board of governors.

Its main purpose is to advise the Board of Governors on the adequacy and effectiveness of the Academy's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness.

Overall attendance at meetings in the year was 75%

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Rural Enterprise Academy for the period 1 September 2012 to 31 August 2013 to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The governing body has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The governing body is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2012 to 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body.

The Rural Enterprise Academy

Governance Statement (continued)

The Risk and Control Framework

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

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

The governing body has considered the need for a specific internal audit function and has decided to appoint Baker Tilley as internal auditor.

The auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On an annual basis the auditor reports to the governing body on the operation of the systems of control and on the discharge of the board of trustee's financial responsibilities.

The work undertaken by Internal Audit during the year was completed in line with the plan approved at the start of the year and no material control issues were reported.

Review of Effectiveness

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

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

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

Approved by order of the members of the governing body on 10 December 2013 and signed on its behalf by:



G Morley

L Makin

Chair

Accounting officer

The Rural Enterprise Academy

Statement on Regularity, Propriety and Compliance

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

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. Any occurring after the date of this statement will be notified to the governing body and the EFA.



L Makin

Accounting officer

The Rural Enterprise Academy

Statement of Governors Responsibilities

The governors (who act as trustees for charitable activities of The Rural Enterprise Academy and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

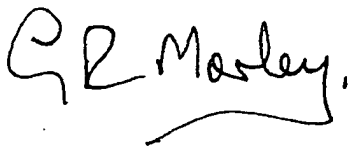
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

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

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

Approved by order of the members of the governing body on 10 December 2013 and signed on its behalf by:



G Morley

Chair

The Rural Enterprise Academy

Independent Auditor's Report to the members of The Rural Enterprise Academy

We have audited the financial statements of The Rural Enterprise Academy for the period ended 31 August 2013 set out on pages 13 to 17. The financial reporting framework that has been applied in their preparation is applicable law, the Academies: Accounts Direction 2012/13 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinion in relation to compliance with the Academies: Accounts Direction 2012/13 issued by the Education Funding Agency ("EFA") on terms that have been agreed. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and, in respect of the separate opinion in relation to compliance with the Academies: Accounts Direction 2012/13 issued by the EFA, those matters that we have agreed to state to them in our 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 9 the Trustees' (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which 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 auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2013, and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006;
- have been prepared in accordance with the Academies: Accounts Direction 2012/13 issued by the EFA

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- The charitable company has not kept adequate accounting records, 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;
- certain disclosures of Trustees' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.

The Rural Enterprise Academy



Michael Rowley (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Birmingham
B4 6GH

16 December 2013

The Rural Enterprise Academy

Independent Reporting Accountant's Assurance Report on Regularity to the Rural Enterprise Academy and the Education Funding Agency

In accordance with the terms of our engagement letter dated 19 November 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by during the period 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Rural Enterprise Academy's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of the Rural Enterprise Academy's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2012 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Michael Rowley
For an on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Birmingham
B4 6GH

16 December 2013

STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 August 2013

(Including Income and Expenditure Account)

	Notes	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2013	Total 2012
		£000	£000	£000	£000	£000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	2	-	-	-	-	1,036
Activities for generating funds	3	-	2	-	2	-
Investment income		-	-	-	-	-
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations	4	-	397	2,379	2,776	1,769
Total incoming resources		0	399	2,379	2,776	2,805
Resources expended						
<i>Cost of generating funds:</i>						
Costs of generating voluntary income		-	-	-	-	-
Fundraising trading		-	-	-	-	-
<i>Charitable activities:</i>						
Academy's educational operations	5	-	348	105	453	163
Governance costs	7	-	14	-	14	4
Total resources expended		0	362	105	467	167
Net Incoming / (outgoing) resources before transfers		0	37	2,274	2,311	2,638
Gross transfers between funds		-	(4)	4	-	-
Net Income/(expenditure) for the year		0	33	2,278	2,311	2,638
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes		-	3	-	3	-
Net movement in funds		0	38	2,278	2,314	2,638
Reconciliation of funds						
Funds brought forward at 1 September 2012		-	-	2,638	2,638	-
Funds carried forward at 31 August 2013		0	38	4,918	4,952	2,638

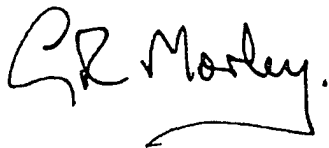
All of the academy's activities derive from continuing operations.

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


Balance sheet
as at 31 August 2013

		2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	11		4,916		2,638
Current assets					
Stock		-		-	
Debtors		72		272	
Cash at bank and in hand	12	114		1,507	
		<u>186</u>		<u>1,779</u>	
Creditors: Amounts falling due within one year	13	<u>(148)</u>		<u>(1,779)</u>	
Net current assets			<u>38</u>		<u>0</u>
Total assets less current liabilities			<u>4,954</u>		<u>2,638</u>
Net assets excluding pension liability			4,954		2,638
Net pension liability			(2)		-
Net assets including pension liability			<u>4,952</u>		<u>2,638</u>
Funds of the academy:					
Restricted funds					
Fixed asset fund(s)	14	4,916		2,638	
General fund(s)	14	<u>34</u>		<u>-</u>	
Total Restricted funds			<u>4,950</u>		<u>2,638</u>
Unrestricted funds					
General fund(s)	14	2		-	
Pension reserve		<u>-</u>		<u>-</u>	
Total Unrestricted funds			<u>2</u>		<u>-</u>
Total Funds			<u>4,952</u>		<u>2,638</u>

The financial statements on pages 13 to 20 were approved by the Governors, and authorised for issue on 10 December 2013 and were signed on its behalf by:



G Morley
Chairman



L Makin
Chief Executive Principal

Company Number 07652211

Cash flow statement
 for the period ended 31 August 2013

	2013 £000	2012 £000
Net cash outflow from operating activities	(1,394)	83
Returns on investments and working of finance	-	-
Capital expenditure	-	1,424
(Decrease)/increase in cash in the year	<u>(1,394)</u>	<u>1,507</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 1 September 2012	1,507	-
Net funds at 31 August 2013	<u>113</u>	<u>1,507</u>

1 Statement of Accounting Policies**Basis of Preparation**

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

Going Concern

The governors 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 governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

Incoming Resources

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt.

Donations

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

Other Income

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

Donated Services and gifts in kind

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

The Rural Enterprise Academy will occupy land, refurbished buildings, and newly constructed buildings owned by South Staffordshire College. A lease arrangement gives the right to occupy for a period of 30 years at which point ownership will revert back to South Staffordshire College. The assets transferred from the College are recognised at depreciated replacement cost.

Resources Expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds

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

Charitable activities

These are costs incurred on the Academy Trust's educational operations.

Governance Costs

These include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings and reimbursed expenses.

All resources expended are inclusive of any irrecoverable VAT.

Tangible Fixed Assets

The Rural Enterprise Academy buildings were constructed and have been occupied since September 2012. Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Notes (continued)

1 Statement of Accounting Policies (continued)

Leased Assets

The Academy has entered into a 30 year lease with South Staffordshire College to occupy former College buildings, which are currently under refurbishment, and newly built accommodation when completed for a peppercorn rent.

Stock

No stock held in this accounting period.

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the Academy Trust will be provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 20, the TPS is a multi employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund Accounting

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

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

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

Notes (continued)

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fixed Asset Funds £000	Total 2013 £000	Total 2012 £000
2 Voluntary Income					
Gifts in Kind	-	-	-	-	1,038
Donations - Capital	-	-	-	-	-
Private sponsorship	-	-	-	-	-
Other Donations	-	-	-	-	-
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,038</u>
3 Activities for Generating Funds					
Student visits	-	2	-	2	-
	<u>0</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>-</u>
4 Funding for Academy's educational operations					
DfE/EFA revenue grant	-	-	-	-	0
General Annual Grant (GAG) (Note 2)	-	192	4	196	167
Start Up Grants	-	205	-	205	167
Capital Grant	-	-	2,379	2,379	1,602
	<u>-</u>	<u>397</u>	<u>2,383</u>	<u>2,780</u>	<u>1,769</u>
5 Resources Expended					
Staff Costs	£000	Non Pay Premises £000	Other Costs £000	Total 2013 £000	Total 2012 £000
Costs of generating voluntary income	-	-	-	-	-
Costs of activities for generating funds	-	-	-	-	-
Academy's educational operations					
Direct costs	153	107	29	289	41
Allocated support costs	112	20	34	165	122
	<u>265</u>	<u>127</u>	<u>63</u>	<u>454</u>	<u>163</u>
Governance costs including allocated support costs	-	-	14	14	4
FRS 17	3	-	-	3	-
	<u>268</u>	<u>127</u>	<u>77</u>	<u>471</u>	<u>167</u>
Incoming/outgoing resources for the year include:				2013 £000	2012 £000
Operating leases				-	-
Fees payable to auditor - audit				8	4
- other services				-	-
Profit/(loss) on disposal of fixed assets				-	-
6 Charitable Activities - Academy's educational operations					
Direct Costs:					
Teaching and educational support staff costs	-	153	153	-	-
Depreciation	-	105	105	-	-
Technology costs	-	9	9	-	-
Educational supplies	-	9	9	-	15
Examination fees	-	6	6	-	-
Staff development	-	2	2	-	1
Educational consultancy	-	3	3	-	-
Other direct costs	-	0	0	-	25
	<u>-</u>	<u>287</u>	<u>287</u>	<u>-</u>	<u>41</u>
Allocated support costs:					
Support staff costs	-	112	112	-	65
Depreciation	-	0	0	-	-
Technology costs	-	1	1	-	-
Recruitment and support	-	0	0	-	2
Maintenance of premises and equipment	-	7	7	-	-
Cleaning	-	2	2	-	-
Rent & rates	-	12	12	-	2
Energy costs	-	7	7	-	-
Insurance	-	7	7	-	1
Security and transport	-	5	5	-	-
Catering	-	9	9	-	-
Bank interest and charges	-	0	0	-	-
Other support costs	-	4	4	-	52
FRS 17	-	3	3	-	-
	<u>-</u>	<u>169</u>	<u>169</u>	<u>-</u>	<u>122</u>
	<u>-</u>	<u>457</u>	<u>457</u>	<u>-</u>	<u>163</u>

7 Governance Costs	Unrestricted Funds £000	Restricted Funds £000	Total 2013 \\ £000	Total 2012 £000
Legal and professional fees				
Auditor's remuneration				
Audit of financial statements	-	11	11	4
Other audit costs	-	-	-	-
Support staff costs	-	-	-	-
Trustees' reimbursed expenses	-	3	3	-
	-	14	14	4

8 Staff Costs

Staff costs during the period were:	Total 2013 £000	Total 2012 £000
Wages and salaries	225	-
Social security costs	15	-
Pension costs	25	-
FRS 17 retirement benefits credit/costs	3	-
	<u>268</u>	<u>-</u>
Supply teacher costs	-	-
Compensation payments	-	-
	<u>-</u>	<u>-</u>

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

	2013 No.	2012 No.
Charitable Activities		
Teachers	5	-
Administration and support	5	-
Management	1	-
	<u>11</u>	<u>-</u>

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

£70,001 - £80,000	<u>1</u>
-------------------	----------

4 of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2013, pension contributions for these staff amounted to £42k. Five other employees participated in the Local Government Pension Scheme, pension contributions amounted to £6k.

Staff costs for April 2012 to August 2012 including pension contributions have been recharged from South Staffordshire College and relate to the costs of the Principal Designate.

9 Trustees' Remuneration & Expenses

The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff, and not in respect of their services of trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect their role as trustees. The value of trustees' remuneration was as follows:

L Makin (principal and accounting officer) £70,000 - £75,000

During the year ended 31 August 2013, travel and subsistence expenses totalling £191.10 were reimbursed to 3 trustees

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

10 Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2013 was £6,665.

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

	Assets under construction £000	Leasehold buildings £000	Equipment £000	Total £000
11 Tangible Fixed Assets				
<i>Cost or valuation</i>				
At 1 August 2012	1,602	1,036	-	2,638
Transfers	(1,602)	1,602	-	-
Additions	-	2,183	201	2,384
Disposals	-	-	-	-
At 31 August 2013	-	4,821	201	5,022
<i>Accumulated depreciation</i>				
At 1 August 2012	-	-	-	-
Charge for year	-	83	23	106
Eliminated in respect of disposals	-	-	-	-
At 31 August 2013	-	83	23	106
<i>Net book value</i>				
At 31 August 2013	-	4,738	178	4,916
At 31 August 2012	1,602	1,036	-	2,638

	Total 2013 £000	Total 2012 £000
12 Debtors		
Trade debtors	15	272
Accrued income	50	-
Other debtors - taxation	7	-
	<u>72</u>	<u>272</u>

	Total 2013 £000	Total 2012 £000
13 Creditors: amounts falling due within one year		
Trade creditors	18	145
Other creditors	24	1
Accruals and deferred income	107	1,633
	<u>148</u>	<u>1,779</u>

	Total 2013 £000	Total 2012 £000
Deferred income		
Deferred income at 1 September 2012	13	
Resources deferred in the year	13	
Amounts released from previous years	(13)	
Deferred income at 31 August 2013	<u>13</u>	<u>13</u>

	Balance as at 1 September 2012 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance as at 31 August 2013 £000
Restricted general funds					
General Annual Grant (GAG)	0	182	(161)	(4)	27
Start Up Grant	0	205	(201)	0	4
Capital grant	0	0	0	0	0
Other DfE/EFA grants	0	0	0	0	0
Pension reserve	0	0	0	3	3
	-	397	(362)	(1)	34
Restricted fixed asset funds					
DfE capital grants	1,602	2,379	(60)	0	3,901
Capital expenditure from GAG	0	0	0	4	4
Private sector capital sponsorship	1,036	0	(25)	0	1,011
	<u>2,638</u>	<u>2,379</u>	<u>(105)</u>	<u>4</u>	<u>4,916</u>
Total restricted funds	<u>2,638</u>	<u>2,776</u>	<u>(467)</u>	<u>3</u>	<u>4,950</u>
Unrestricted funds					
Unrestricted funds	0	2	0	0	2
Pension Reserve	0	0	0	0	0
Total unrestricted funds	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total Funds	<u>2,638</u>	<u>2,778</u>	<u>(467)</u>	<u>3</u>	<u>4,952</u>

The specific purposes for which the funds are to be applied are to establish the infrastructure, policies, procedures and curriculum in advance of the Academy opening in September 2012. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

15 Analysis of Net Assets between Funds

Fund balances at 31 August 2013 are represented by:

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fixed Asset Funds £000	Total 2013 £000	Total 2012 £000
Tangible fixed assets			4,916	4,916	
Current assets		178		178	
Current liabilities		(141)		(141)	
Pension scheme liability		(2)		(2)	
Total net assets	0	35	4,916	4,851	0

16 Capital commitments

	Total 2013 £000	Total 2012 £000
Commitments contracted for at 31 August	0	2,517
Commitments authorised but not contracted for at 31 August	0	125
	0	2,642

17 Reconciliation of net income to net cash inflow from operating activities

	Total 2013 £000	Total 2012 £000
Net income	2,311	2,638
Voluntary donation in kind (note 2)	0	(1,036)
Depreciation (note 10)	105	0
Capital grants from Dfe and other capital income	(2,379)	(1,602)
Interest receivable (note 5)	0	0
FRS17 pension cost less contributions payable (note 27)	0	0
FRS17 pension finance income (note 27)	0	0
Increase/(decrease) in stocks	0	0
(Increase)/decrease in debtors	200	(94)
Increase/(decrease) in creditors	(1,631)	177
Net cash inflow from operating activities	(1,394)	83

18 Capital expenditure and financial investment

	Total 2013 £000	Total 2012 £000
Purchase of tangible fixed assets	(2,383)	-
Capital grants from DfE/EFA	2,379	1,424
Capital funding received from sponsors and others	4	-
Receipts from sale of tangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	0	1,424

19 Analysis of changes in net funds

	Balance as at 31 Aug 2012 £000	Cash flows £000	At 31 August 2013 £000
Cash in hand and at bank	1,507	(1,393)	114
	1,507	(1,393)	114

20 Pension and Similar Obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by [name]. Both are defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2010.

Contributions amounting to £2k were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in England and Wales, and to those who have been employed in England and Wales in a profession or occupation which is treated as if they were a teacher in some establishments in which they are employed. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for lecturers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the amount that would be required to meet the pension liabilities of the TPS if the scheme were to be valued on the basis of the actuarial assumptions in the actuarial tables. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the national fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuations of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (open to payment and the estimated cost of future benefits) were £1,685,500 million. The total assets of the Scheme (estimated future contributions together with the proceeds from the national investments held at that valuation date) was £1,832,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 9.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed at 1.5% (the balance of the total liabilities not covered by the regular contributions within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employer contribution rate of 14% payable.

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

Teachers' Pension Scheme Changes

Lord Hatten published his final report in March 2011, and made recommendations about how pensions can be made sustainable and affordable, whilst ensuring that the welfare and needs of the Government and the wider public are met. The Government has agreed to implement the recommendations set out in the report, and has engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. These discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to the age at which members can opt to retire earlier or later than their Normal Pension Age. Importantly, 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 just outside of the 10 year protection.

In his final report of October 2010, Lord Hatten recommended that short term savings were also needed, 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 in the contribution rates by 2014-15. This increase was to be phased in from April 2012 on a 40:60:100% basis.

Under the provisions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy is unable to provide a breakdown of the contributions to the scheme as it is a defined contribution scheme. The Academy has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contributions made for the year ended 31 August 2013 was 66% of which employer's contributions totalled 64% and employees' contributions totalled 2%. The agreed contribution rates for future years are 18.2% per cent for employers and for employees the contributions are now graduated according to salary within the range 5.5% to 7.5%.

Principal Actuarial Assumptions

	At 31 August 2013	At 31 August 2012
Rate of increase in salaries	5.10%	4.50%
Rate of increase for pensions in payment/retirement	2.80%	2.20%
Discount rate for scheme liabilities	4.80%	4.10%

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

	At 31 August 2013
Retiring today	
Males	21.4
Females	23.4
Retiring in 20 years	
Males	23.3
Females	25.8

20 Pension and Similar Obligations (continued)

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

	Expected return at August		Expected return at August		Fair value at 31 August	
	2012	2013	2012	2013	2012	2013
Equities	6.6%	6.6%	5.5%	5.5%	10	10
Bonds	4.0%	4.0%	3.4%	3.4%	2	2
Property	4.4%	4.4%	2.8%	2.8%	4	4
Cash	1.5%	1.5%	2.5%	2.5%	1	1
Total market value of assets		22		14		14
Present value of scheme liabilities						(14)
- Funded		(24)		(14)		0
Surplus/(deficit) in the scheme		(2)				
The actual return on scheme assets was 24%						

Amounts recognised in the statement of financial activities

Current service cost (net of employee contributions)	2013	
Paid service cost	£000	(7)
Total opening charge		(7)
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets		(1)
Interest on pension liabilities		1
Finance income/(costs)		0

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is £24 loss

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

At 1 September	2013	14
Current service cost	£000	7
Interest cost		1
Employee contributions		2
At 31 August		24

Pension and Similar obligations (continued)

Local Government Pension Scheme (continued)

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

At 1 September	2013	14
Expected return on assets	£000	1
Actual (gains)/loss		1
Employer contributions		4
Employee contributions		2
At 31 August		24

The estimated value of employer contributions for the year ended 31 August 2014 is £11k

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

Present value of defined benefit obligations	2013	24
Fair value of share of scheme assets	£000	(22)
Deficit in the scheme		2

21 Related parties note

Six members of the governing body are representatives of South Staffordshire College, the lead sponsor of the Rural Enterprise Academy.

The Academy had a balance of £10k relating to revenue costs owing to South Staffordshire College, there was also £13k owed by the College as at 31 August 2013.

22 Member's Liability

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