Notes to the financial statements for the year ended 31 August 2017 (continued)

14. Analysis of net assets between funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted funds	Restricted pension funds	Restricted general funds	Restricted fixed asset funds	Total funds
	£	£	£	£	£
Tangible fixed assets	-	-	-	5,183,828	5,183,828
Current assets	3,331	-	967,740	-	971,071
Current liabilities	-	-	(460,919)	-	(460,919)
	3,331	-	506,821	5,183,828	5,693,980
Pension scheme liability	-	(107,000)	-	-	(107,000)
Total net assets	3,331	(107,000)	506,821	5,183,828	5,586,980

15. Capital commitments

There are no capital commitments as at 31 August 2017.

16. Commitments under operating leases

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	Other Total 2017	Total 2016
	£	£
Amounts due within one year	5,397	-
Amounts due between one and five years	16,192	-
	21,589	-

17. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Total 2017	Total 2016
	£	£
Net income/(expenditure) for reporting period (as per the SoFA)	64,144	5,404,528
Adjusted for :		
Depreciation (note 10)	153,712	83,860
Capital grants from DfE and other capital income	(157,736)	(5,102,237)
Interest receivable (note 4)	(300)	(2,250)
Defined benefit pension scheme asset inherited	-	(9,000)
Defined benefit pension scheme cost less contributions payable	113,000	1,000
Defined benefit pension scheme finance cost/(income) (note 21)	(3,000)	(1,000)
Decrease / (increase) in debtors	1,419,062	(1,425,782)
Increase / (decrease) in creditors	(959,410)	1,377,148
Net cash provided by / (used in) operating activities	629,472	326,267

Notes to the financial statements for the year ended 31 August 2017 (continued)

18. Cash flows from investing activities

	Total 2017 £	Total 2016 £
Interest received	300	2,250
Purchase of tangible fixed assets	(294,855)	(5,126,545)
Capital grants from DfE/ESFA	157,736	5,102,237
Net cash provided by / (used in) investing activities	(136,819)	(22,058)

19. Analysis of cash and cash equivalents

	At 31 August 2017 £	At 31 August 2016 £
Cash at bank and in hand	924,714	432,061
	924,714	432,061

20. Members' liability

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

21. Pension and similar obligations

The academy trust'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 West Midlands Pension Fund. Both are multi-employer defined-benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

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

21. Pension and similar obligations (continued)

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.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are :

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the year amounted to £47,358 (2016 : £27,206).

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

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

21. Pension and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £129,231 (2016 : £53,768), of which employer's contributions totalled £111,878 (2016 : £40,324) and employees' contributions totalled £17,353 (2016 : £13,444). The agreed contribution rates for future years are 16.1% for employers and between 5.5% and 9.9% for employees.

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

The trustees have agreed that the trust will make additional contributions in addition to normal funding levels over the next 19 years.

Principal actuarial assumptions	At 31 August 2017	At 31 August 2016
Rate of increase in salaries	4.20%	3.75%
Rate of increase for pensions in payment / inflation	2.70%	2.00%
Discount rate for scheme liabilities	2.60%	2.20%
Inflation assumption (CPI)	2.70%	2.00%
Commutation of pensions to lump sums	50.00%	50.00%

Sensitivity analysis	As disclosed	Discount rate	Pension increases	In life expectancy
		+ 0.1% pa	+ 0.1% pa	+ 1 year
	£'000s	£'000s	£'000s	£'000s
Present value of total obligation	247	239	255	255
Projected service cost	121	117	125	125
		- 0.1% pa	- 0.1% pa	- 1 year
	£'000s	£'000s	£'000s	£'000s
Present value of total obligation	247	255	239	239
Projected service cost	121	125	117	117

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 2017	At 31 August 2016
Retiring today		
Males	21.8	23.1
Females	24.3	25.8
Retiring in 20 years		
Males	24.0	25.3
Females	26.6	28.1

21. Pension and similar obligations (continued)

The academy's share of the assets in the scheme was :

	Fair value at 31 August 2017	Fair value at 31 August 2016
	£	£
Equities	89,000	35,000
Government bonds	10,000	4,000
Other bonds	5,000	5,000
Property	10,000	5,000
Cash/liquidity	7,000	4,000
Other	19,000	6,000
Total market value of assets	140,000	59,000

The actual return on scheme assets was £15,000.

	2017	2016
	£	£
Amount recognised in the statement of financial activities		
Current service cost (net of employee contributions)	110,000	53,000
Net interest cost	-	(1,000)
Total amount recognised in the SoFA	110,000	52,000

21. Pension and similar obligations (continued)

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

	2017	2016
	£	£
At 1 September 2016	100,000	-
Current service cost	110,000	53,000
Interest cost	2,000	-
Changes in financial assumptions	23,000	34,000
Change in demographic assumptions	4,000	-
Experience loss/(gain) on defined benefit obligation	(11,000)	-
Benefits paid net of transfers in	(1,000)	-
Contributions by participants	20,000	13,000
At 31 August 2017	247,000	100,000

Notes to the financial statements for the year ended 31 August 2017 (continued)

21. Pension and similar obligations (continued)

Changes in the fair value of academy's share of scheme assets were as follows :

	2017	2016
	£	£
At 1 September 2016	59,000	-
Interest income	2,000	1,000
Return on assets less interest	13,000	5,000
Employer contributions	41,000	40,000
Contributions by participants	20,000	13,000
Benefits paid net of transfers in	(1,000)	-
Other actuarial gains/(losses)	6,000	-
At 31 August 2017	140,000	59,000

22. Related party transactions

Owing to the nature of the academy trust 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 the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures.

The following related party transactions took place during the period:

Four Dwellings Academy

Charitable company in which R Elcocks is principal and accounting officer	2017 £	2016 £
Services recharged to related company during the year	55,651	38,542

Shenley Academy

Charitable company in which L Monk is principal and accounting officer	2017 £	2016 £
Services recharged to related company during the year	86,185	76,358
Services recharged from related company during the year	80	-

Turves Green Boys' School

Charitable company in which S Franks is principal and accounting officer	2017 £	2016 £
Services recharged to related company during the year	35,728	26,974

Notes to the financial statements for the year ended 31 August 2017 (continued)

22. Related party transactions (continued)

Turves Green Girls' School

Charitable company in which R Crookes is principal and accounting officer	2017 £	2016 £
Services recharged to related company during the year	37,133	43,075

The trust conducted this transaction at arms' length following a competitive tendering exercise in accordance with its financial regulations, which the stated trustees neither participated in, nor influenced.

In entering into the transaction the trust has complied with the requirements of the Academies Financial Handbook 2016.