

Macmillan Academy

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

MACMILLAN ACADEMY
(A company limited by guarantee)

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MACMILLAN ACADEMY
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members

Dr B Phillipso
Dr M Malden
D Holgate

Governors

Dr M Malden, Chair
Dr B Phillipso, Vice Chair¹
A Bennett
J Cowley
S Cutler, Parent
K Fraser, Executive Principal¹
C Frieze¹
Dr P Heywood
D Holgate
P Latham, Principal
S McGill¹
S McGovern (resigned 30 June 2016)
C Pounder (resigned 24 May 2016)
N Smith
J Windham

¹ Member of the audit committee

Senior leadership team

K Fraser, Executive Principal*
P Latham, Principal*
F Daffurn, Deputy Principal*
A Jordan, Deputy Principal*
N Stott, Deputy Principal*
R Coning
A Lloyd
O Stanton
A Tumelty

* Member of the executive group (key management personnel)

Company registered number

02236171

Company name

Macmillan Academy

Principal and registered office

Stockton Road
Middlesbrough
TS5 4AG

MACMILLAN ACADEMY
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Patrons

Sir J Hall KB
Lord Stockton
B Hutchinson

Company secretary

A J Wentworth

Independent auditors

Clive Owen LLP
Chartered Accountants
Statutory Auditors
140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

Bankers

Lloyds Bank plc
137 Albert Road
Middlesbrough
TS1 2PD

Solicitors

Jacksons Law Firm
Innovation House
Yarm Road
Stockton on Tees
TS18 3TN

MACMILLAN ACADEMY
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GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The governors, who are trustees for the purposes of charity law and also the directors for the purposes of company law, present their annual report together with the audited financial statements of Macmillan Academy (the academy) for the year ended 31 August 2016. The governors 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 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)'. The annual report serves both the purposes of a trustees' report, and a directors' report under company law.

Macmillan Academy operates an academy for students aged 11 - 19 serving a catchment area in Middlesbrough. It has a capacity of 1,600 and at the school census date in October 2015 there were 1,514 students on roll.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the charitable company is the operation of Macmillan Academy to provide education for students of different abilities between the ages of 11 and 19 in order for them to progress to enriched lifelong learning opportunities.

In accordance with the articles of association the charitable company has adopted a "Scheme of Governance" approved by the Secretary of State for Education. The Scheme of Governance and its appendices specifies, amongst other things, the basis for admitting students to the academy and the catchment area from which the students are drawn.

The main objectives of the academy during the year ended 31 August 2016 are summarised below:

- to ensure that every child enjoys the same high quality education in terms of resourcing, teaching and care;
- to raise the standard of educational achievement of all students;
- to improve the effectiveness of the academy by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce; and
- to conduct the academy's business in accordance with the highest standards of integrity, probity and openness.

MACMILLAN ACADEMY
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

OBJECTIVES AND ACTIVITIES (continued)

Objectives, strategies and activities

The academy's main objectives are encompassed in its mission statement which is 'Inspiring every student to succeed'. To this end the objectives and the strategies used to achieve them include:

- Learning that inspires. We are proud of our excellent examination performance. However, we want to expose our students to a wide range of quality learning and teaching experiences in order to create adaptability throughout life.
- Exemplary conduct. We expect all students and staff to promote integrity and honesty and to display manners, politeness and behaviour that enhances mutual respect.
- An expectation of the highest standards. We never accept 'second best'. In all areas of academy life we strive for the absolute best.
- A commitment to sustainability. We wish to keep environmental issues as a priority. We also support a wider sustainability agenda. Students will be encouraged to understand the personal, local, national and international implications of not doing so.
- Aspirational achievement. Students at all levels are challenged with personal targets in order to achieve their maximum potential in all areas of their development.
- Tolerance and partnership. Students are made aware of the need for tolerance in a multi cultural society and are encouraged to see how they can contribute in partnership with others.
- Personal care and development. Students' individual needs are at the heart of what we do and we value their opinion; their care, health and welfare is paramount.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 11 and 19.

Public benefit

The academy makes a significant contribution by its teaching and other activities to the advancement of education for the public benefit for students aged 11-19 serving the catchment area of Middlesbrough on an open basis, and as set out in this report. Therefore, the governors have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

MACMILLAN ACADEMY
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Key performance indicators

The academy continues to be oversubscribed with 983 applications received for 240 places in the Year 7 which started in September 2016. These applications are from students in 75 different primary schools. Students are admitted in accordance with the funding agreement policy and national guidelines.

There was a total of 1,514 students recorded in the October 2015 census which included 361 students in the sixth form.

The GCSE pass rate for 2016 was 82% of students achieving 5 or more A* C grades. The pass rate for 5 A* C grades including English and mathematics was 72%.

The overall A level pass rate was 100%, of which 56% were A* to B grades and 77% of all BTEC passes were D and D*.

The academy operates an extensive work experience programme for Year 10 students who spend two weeks in local businesses. Year 9 students spend one week on in house work experience around specific work areas of the academy.

In terms of outcomes, over 85% of Post 16 students went to university in September 2016.

During the academic year 2015/2016 students at the academy raised a total of £4,019 for a number of charities including Children in Need, Royal British Legion and Coco.

The following are considered to be important areas by which the academy can be judged;

Quality of teaching, learning and assessment

A carefully structured monitoring and evaluation schedule reveals that the quality of teaching, learning and assessment all continue to improve. Lessons are no longer graded individually but all staff do receive at least two observations per year to enable them to develop their classroom practice. The quality of feedback to students is still graded and this shows an improving picture over the last 12 months.

Student behaviour and welfare

At this stage of the year the atmosphere as expected is good, particularly with our new Year 7 intake. Work will be completed in the year on learner behaviour, the increasing number of vulnerable students and those with more challenging circumstances. There will also be reviewed the noticeable increase in the number of students experiencing examination stress. The academy continues to be committed to inclusion. There were no permanent exclusions in 2015/16.

Staffing

The academy was successful in a difficult recruitment environment and appointed fifteen new staff to the academy who started on 1 September 2016. Given our problems in the previous year, we were particularly successful in recruiting English and mathematics teachers. We also have two School Direct trainee teachers with us for the first time, again in the subjects of English and mathematics.

MACMILLAN ACADEMY
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

ACHIEVEMENTS AND PERFORMANCE (continued)

Key Performance Indicators

Admissions

The wish of so many students to attend the academy is underlined by there being 1,070 applications for 230 places in the Year 7 which started in September 2015.

Attendance

Attendance at 95% compares well with the national average.

Examination results

We are very pleased with results from the summer 2016 examination series:

GCSE

5 A*-C (including English and maths) 72%

A*-C in English 87%

A*-C in maths 74%

Post 16

100% pass rate A*-E A level

55% A*-B A level

95 % D*- M Vocational

Financial

	2016	2015
	£000	£000
Total income per pupil	6.51	6.51
Staff cost per pupil	5.32	4.92
Staff costs as a % of income	81.7%	75.6%
Pupil to teacher ratio	11.47	13.40

Overall as a result of all these issues the academy was rated Good at its last inspection in May 2013.

Equal opportunities

The governors recognise that equal opportunities should be an integral part of good practice within the workplace. The academy aims to establish equal opportunities in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Disabled persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the academy. The policy of the academy is to support recruitment and retention of students and employees with disabilities. The academy does this by adapting the physical environment by making support resources available and through training and career development.

MACMILLAN ACADEMY
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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

FINANCIAL REVIEW

Going concern

After detailed consideration, the board of governors has a reasonable expectation that the academy has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies section.

Financial report for the year

During the year ended 31 August 2016, total expenditure of £11,055,000 was in excess of recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of expenditure over income for the year of unrestricted funds and restricted funds (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £393,000.

All of the expenditure shown in the statement of financial activities is in furtherance of the academy's objectives.

The academy held fund balances at 31 August 2016 of £16,191,000 comprising £13,934,000 of restricted funds and £2,257,000 of unrestricted funds.

At 31 August 2016 the net book value of fixed assets was £18,673,000 and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the academy.

Most of the academy's income is obtained from the Department for Education (DfE) via 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 DfE/EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The academy also receives grants for fixed assets from the DfE/EFA. In accordance with the Charities Statement of Recommended Practice (FRS102), 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.

The provisions of Financial Reporting Standard No. 102 'Retirement Benefits' have been applied in full, resulting in a deficit of £3,873,000 recognised on the balance sheet.

Reserves policy

The governors review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The governors have determined that the appropriate level of free reserves should be equivalent to 6% to 9% of 'total incoming resources less restricted fixed asset income' (£590,000 to £885,000), and ideally 7.5% of this income (equivalent to 4 weeks' expenditure, approximately £829,000). 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 current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is in surplus by £1,391,000 (see note 18). The academy's resources have been earmarked for identified capital projects to benefit the students in the academy.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

FINANCIAL REVIEW (continued)

Investment policy

The academy invests its liquid funds in bank accounts providing higher interest rates where the institution is believed to be sound. Interest rates are reviewed prior to each investment. This policy maximises investment return whilst minimising risks to the principal sum.

RISKS AND THEIR MANAGEMENT

Financial risk management objectives and policies

The academy is subject to a number of risks and uncertainties in common with other academies. The academy has in place procedures to identify and mitigate financial risks. These are discussed further in the risk management section of this report, and in the governance statement.

Principal risks and uncertainties

The principal risks and uncertainties are centred around changes in the level of funding from the DfE/EFA, over which the academy has no control. In this context the known current increases in teaching costs because of increases in employer's pension and national insurance contributions totalling 5% create a specific risk. In addition the academy is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant potential deficit on the academy balance sheet if the academy was called upon to meet it. 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.

Risk management

The governors have assessed the major risks to which the academy is exposed, in particular those relating specifically to 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 academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, student safety and school visits) and in relation to the control of finance. The academy has an effective system of internal financial controls and this is explained in more detail in the governance statement.

The academy has fully implemented the requirements of the Safer Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

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 and an accompanying funding agreement are the primary governing documents of the academy. Both these documents refer to the company as the trust.

Details of the governors who served during the year are included in the 'Reference and Administrative Details' on page 1.

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 £1, for the debts and liabilities contracted before they ceased to be a member.

Method of recruitment and appointment or election of governors

Governors are invited by the board of governors assessing what expertise it requires to strengthen its activities and responsibilities. Efforts are made to find locally based individuals who meet the required criteria, and to approach these persons. For parent governors applications when required are invited from parents of registered students.

Governors are appointed by the board of governors, apart from the Executive Principal and the Principal, who are ex officio governors. The governors can invite the Local Authority to appoint a Local Authority governor. If governors approve the application of more than one person seeking appointment as parent governor, an election by all registered parents would be conducted by secret ballot.

Governors are subject to retirement after a term of office of four years, apart from the Chair and Vice Chair, but may be eligible for re appointment at the meeting at which they retire. A parent governor is only eligible for re appointment as a parent governor if still a parent of a registered student. The Chair and Vice Chair are elected to their respective positions annually by their fellow governors at the first board meeting of the academy year.

Policies and procedures adopted for the induction and training of governors

The training and induction provided for new governors depends on their existing experience. Where necessary, induction and training is provided on charity, educational, legal and financial matters. All new governors meet members of the executive group and are given a tour of the academy and the chance to meet with staff and students. All governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As there might only be one or two new governors in any year, induction tends to be done informally and is tailored specifically to the individual.

Pay policy for key management personnel

The pay and remuneration of the academy's key management personnel are set against national leadership spine point scales, reflecting national pay awards. All are subject to performance management appraisal interviews. Senior leadership team members and members of the executive group are in turn appraised by the Principal. The Chair of the board of governors conducts the performance management of the Executive Principal and Principal, usually with someone who is independent of the academy.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure

The academy continues to operate a unified management structure. The structure consists of four levels: the governors, the executive group, the senior leadership team and the middle management team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The governors are responsible for setting general policy, adopting an annual development plan and budget, monitoring the academy by the use of budgets and making major decisions about the direction of the academy, capital expenditure and senior staff appointments.

The executive group consists of the Executive Principal, Principal and three Deputy Principals who provide strategic leadership for the academy implementing the policies laid down by the governors, with the Principal reporting back to them. The executive group are also responsible for the authorisation of spending within agreed budgets and the appointment of staff for posts in the senior leadership team, through appointment boards which sometimes contain a governor. Some spending control is devolved to members of the senior leadership team, with limits above which a member of the executive group must countersign.

The senior leadership team includes the executive group and numbers nine in total. The middle management of the academy is centred around the group of heads of department and heads of year. These managers are responsible for the day to day operation of the academy, in particular organising the department staff, personal tutors and students.

Related parties and other connected charities and organisations

M A Enterprises Limited

D Holgate and K Fraser who are governors of the academy are directors and members of M A Enterprises Limited, a company limited by guarantee.

Endeavour Academies Trust

B Phillipo and K Fraser who are governors of the academy are directors and members of Endeavour Academies Trust. The trust has been set up to enable educational partnership activities which would benefit the academy and reflect current government policy.

Further details are stated in Note 26 to the financial statements.

Governors' indemnities

The academy has purchased insurance to protect governors from claims arising against negligent acts, errors or omissions occurring whilst on academy business. Further details are provided in note 25.

PLANS FOR FUTURE PERIODS

Future developments

Senior members of the executive group met with the Regional Schools Commissioner throughout the year and discussions are ongoing together with local primary schools and the local authority. The outcome of those discussions will determine the most appropriate solution for the future of the academy and the use of the multi academy trust. We have entered into a strategic partnership with another local Trust and plans are ongoing for a bid for Teaching School status.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

DISCLOSURE OF INFORMATION TO AUDITORS

Insofar as the governors are aware:

- there is no relevant audit information of which the charitable company's auditors is unaware;
and
- 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.

This report was approved by order of the board of governors as the company directors, on 29 November 2016 and signed on its behalf by:

.....
Dr B Phillip
Vice Chair and Chair of Audit Committee

MACMILLAN ACADEMY
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GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2016

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that Macmillan 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 board of governors has delegated the day-to-day responsibility to the Executive 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 Macmillan Academy and the Secretary of State for Education. They are also responsible for reporting to the board of governors 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 governors' responsibilities statement. The board of governors has formally met 6 times during the year. Attendance during the year at meetings of the board of governors was as follows:

Governor	Meetings attended	Out of a possible
Dr M Malden, Chair	5	6
Dr B Phillipo, Vice Chair	6	6
A Bennett	4	6
J Cowley	5	6
S Cutler	6	6
K Fraser, Executive Principal	6	6
C Frieze	3	6
Dr P Heywood	5	6
D Holgate	4	6
P Latham, Principal	6	6
S McGill	3	6
S McGovern	2	5
C Pounder	1	4
N Smith	6	6
J Windham	6	6

Changes in the board of governors are noted on page 1.

Governance reviews

In addition to the six meetings per year the governing body also met in July 2016 to take part in a training session with the Local Authority Senior Advisor – Ian McAllister. Following this session a review of governance recommended the further development of a model of sub committees which will cover three areas: finance (through the existing Audit Committee), teaching, learning and assessment and 'whole education.'

Members of the board continue to benefit from membership of the National Governors Association. Following the resignation of two members, it has been agreed that further governors should be sought for the coming year.

Committees

An audit committee which was established in the previous year has continued to meet in respect of the matters within its terms of reference, including acting as a finance committee where relevant. During the year 5 meetings were held. The review, in depth, by the committee of financial matters which, where appropriate are submitted for further consideration and approval by the board, has allowed more time for the board to focus on other strategic matters.

MACMILLAN ACADEMY
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GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Dr B Phillipo, Chair	5	5
C Frieze	3	5
S McGill	3	5
G Attwood (non board member)	5	5
K Fraser, Executive Principal	5	5

In attendance:

	Meetings attended	Out of a possible
A Robson, Finance Director	5	5

Review of Value for money

As Accounting Officer, the Executive Principal has responsibility for ensuring that the academy delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the academy's use of its resources has provided good value for money during each academic year, and reports to the board of governors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy has delivered improved value for money during the year by:

- Conducting a full curriculum and staffing review.
- Offered reduced time and term time only contracts.
- Reduced transport and cleaning costs.

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 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 Macmillan Academy for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of governors has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, which has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of governors.

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GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

The risk and control framework

The academy'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:

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

The board of governors has considered the need for a specific internal audit function and has decided to appoint Evolution LLP to provide that service.

The role of Evolution LLP in providing internal assurance includes giving advice on financial matters and performing a range of checks on the academy's financial systems. In particular the checks carried out in the current period included:

- testing of control accounts, bank reconciliations and bank payments
- testing of payroll systems
- testing of purchase systems and tendering procedures
- testing of income
- review of risk management and insurance
- review of data management and systems security
- review of corporate governance

On a termly basis, the provider of internal assurance reports to the board of governors on the operation of the systems of control and on the discharge of the board of governors' financial responsibilities.

The provider of internal assurance has delivered its schedule of work as planned and no material control issues have arisen as a result of their work.

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 providers of internal assurance;
- the work of the external auditors;
- the work of the executive managers within the academy 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 board of governors and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of governors on 29 November 2016 and signed on their behalf, by:

.....
Dr M Malden
Chair of Governors

.....
Mr K U Fraser
Accounting Officer and Executive Principal

MACMILLAN ACADEMY
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of I have considered my responsibility to notify the academy board of governors 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 and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy board of governors 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's funding agreement and the Academies Financial Handbook 2015.

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 governors and EFA.

.....
Mr K U Fraser
Accounting Officer and Executive Principal

29 November 2016

MACMILLAN ACADEMY
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STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The governors (who act as trustees of Macmillan Academy for the purposes of charity law 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 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 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 of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 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 board of governors on 29 November 2016 and signed on its behalf by:

.....
Dr M Malden
Chair of Governors

MACMILLAN ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
MACMILLAN ACADEMY**

We have audited the financial statements of Macmillan Academy for the year ended 31 August 2016 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 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 governors and auditors

As explained more fully in the governors' responsibilities statement, the governors (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 governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the governors' 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 2016 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, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

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

MACMILLAN ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
MACMILLAN ACADEMY**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Beaumont BA(hons) FCA DChA (senior statutory auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants
Statutory Auditors

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT
29 November 2016

MACMILLAN ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO MACMILLAN
ACADEMY AND THE EDUCATION FUNDING AGENCY
FOR THE YEAR ENDED 31 AUGUST 2016**

In accordance with the terms of our engagement letter dated 14 September 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Macmillan Academy during the year 1 September 2015 to 31 August 2016 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 Macmillan Academy and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Macmillan 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 Macmillan Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Macmillan Academy's Accounting Officer and the reporting auditors

The Accounting Officer is responsible, under the requirements of Macmillan Academy's funding agreement with the Secretary of State for Education dated 28 February 2006, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 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's income and expenditure.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO MACMILLAN
ACADEMY AND THE EDUCATION FUNDING AGENCY
FOR THE YEAR ENDED 31 AUGUST 2016 (continued)**

Approach (continued)

The work undertaken to draw to our conclusion includes:

- Review of board of governors minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to governors and Accounting Officer setting out responsibilities;
- Obtained formal letter of representation detailing the responsibilities of governors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Clive Owen LLP

Reporting Accountant

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

29 November 2016

MACMILLAN ACADEMY
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
INCOME FROM:						
Donations and capital grants	3	92	-	32	124	120
Charitable activities						
Funding for the academy's educational operations	6	-	8,971	-	8,971	9,167
Other trading activities	4	735	-	-	735	628
Investments	5	33	-	-	33	32
TOTAL INCOME		<u>860</u>	<u>8,971</u>	<u>32</u>	<u>9,863</u>	<u>9,947</u>
EXPENDITURE ON:						
Charitable activities						
Academy's educational operations	7	<u>1,716</u>	<u>8,508</u>	<u>831</u>	<u>11,055</u>	<u>10,437</u>
TOTAL EXPENDITURE		<u>1,716</u>	<u>8,508</u>	<u>831</u>	<u>11,055</u>	<u>10,437</u>
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		(856)	463	(799)	(1,192)	(490)
Transfers between funds	17	<u>-</u>	<u>(607)</u>	<u>607</u>	<u>-</u>	<u>-</u>
NET EXPENDITURE BEFORE OTHER GAINS AND LOSSES		(856)	(144)	(192)	(1,192)	(490)
Actuarial gains/(losses) on defined benefit pension schemes	22	<u>-</u>	<u>(2,324)</u>	<u>-</u>	<u>(2,324)</u>	<u>36</u>
NET MOVEMENT IN FUNDS		(856)	(2,468)	(192)	(3,516)	(454)
RECONCILIATION OF FUNDS:						
Total funds brought forward		<u>3,113</u>	<u>(1,405)</u>	<u>17,999</u>	<u>19,707</u>	<u>20,161</u>
TOTAL FUNDS CARRIED FORWARD		<u><u>2,257</u></u>	<u><u>(3,873)</u></u>	<u><u>17,807</u></u>	<u><u>16,191</u></u>	<u><u>19,707</u></u>

MACMILLAN ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER: 02236171

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£000	2016 £000	2015 £000
FIXED ASSETS				
Tangible assets	14		18,673	18,859
CURRENT ASSETS				
Debtors	15	290		340
Cash at bank and in hand		1,291		2,186
		<u>1,581</u>		<u>2,526</u>
CREDITORS: amounts falling due within one year	16	(190)		(273)
			<u>1,391</u>	<u>2,253</u>
NET CURRENT ASSETS			<u>1,391</u>	<u>2,253</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>20,064</u>	<u>21,112</u>
Defined benefit pension scheme liability	22		(3,873)	(1,405)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>16,191</u>	<u>19,707</u>
FUNDS OF THE ACADEMY				
Restricted funds:				
Fixed asset funds	17	17,807		17,999
Pension reserve	17	(3,873)		(1,405)
Total restricted funds			<u>13,934</u>	<u>16,594</u>
Unrestricted funds	17		2,257	3,113
TOTAL FUNDS			<u>16,191</u>	<u>19,707</u>

The financial statements were approved by the governors, and authorised for issue, on 29 November 2016 and are signed on their behalf, by:

.....
C Frieze
Governor

The notes on pages 24 to 44 form part of these financial statements.

MACMILLAN ACADEMY
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2015 £000
Net cash inflow from operating activities			
Net cash (used in)/provided by operating activities	19	(290)	289
Cash flows from investing activities:			
Dividends, interest and rents from investments		32	29
Purchase of tangible fixed assets		(669)	(411)
Capital grants from DfE/EFA		32	29
Net cash used in investing activities		(605)	(353)
Cash flows from financing activities:			
Repayments of borrowings		-	(300)
Net cash used in financing activities		-	(300)
Change in cash and cash equivalents in the year		(895)	(364)
Cash and cash equivalents brought forward		2,186	2,550
Cash and cash equivalents carried forward	20	1,291	2,186

MACMILLAN ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the academy, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Macmillan Academy constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of the academy prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of the academy for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the governors have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 28.

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 governors.

Designated funds comprise unrestricted funds that have been set aside by the governors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

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 with restrictions imposed by the funders and include grants from the Education Funding Agency.

MACMILLAN ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.3 INCOME

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants

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 statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement 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.

Donations

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

Other

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

1.4 EXPENDITURE

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Charitable activities are costs incurred on the academy's educational operations, including support costs and costs relating to the governance of the academy apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

MACMILLAN ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.5 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 at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of financial activities.

Depreciation is not charged on freehold land. 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:

Freehold buildings	-	2% on cost
Long term leasehold property	-	evenly over the remaining years of the lease
Motor vehicles	-	25% on cost
Furniture, fittings and administration equipment	-	5% - 10% on cost
Computer and educational equipment	-	15% - 50% on cost

1.7 INTEREST RECEIVABLE

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

MACMILLAN ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.8 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.

1.9 DEBTORS

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.10 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.11 LIABILITIES AND PROVISIONS

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.12 PENSION BENEFITS

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 quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

MACMILLAN ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

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 credit 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

1.13 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The academy makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the LGPS defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £852,000.

2. GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the academy was subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy has not exceeded these limits during the year ended 31 August 2016.

MACMILLAN ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

3. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Donations	92	-	92	90
Capital Grants	-	32	32	30
	<u>92</u>	<u>32</u>	<u>124</u>	<u>120</u>

In 2015, of the total income from donations and capital grants, £90,000 was to unrestricted funds and £30,000 was to restricted fixed asset funds.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Other income	140	-	140	115
School visits	164	-	164	77
Catering	431	-	431	436
	<u>735</u>	<u>-</u>	<u>735</u>	<u>628</u>

In 2015, of the total income from other trading activities, £628,000 was to unrestricted funds and £ NIL was to restricted funds.

5. INVESTMENT INCOME

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Bank interest	33	-	33	32
	<u>33</u>	<u>-</u>	<u>33</u>	<u>32</u>

In 2015, of the total investment income, £32,000 was to unrestricted funds and £ NIL was to restricted funds.

MACMILLAN ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

6. FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
DfE/EFA grants				
General Annual Grant (GAG)	-	8,518	8,518	8,717
Pupil Premium	-	316	316	314
Post 16 Bursary	-	48	48	49
Other DfE/EFA grants	-	89	89	87
	<u>-</u>	<u>8,971</u>	<u>8,971</u>	<u>9,167</u>
	<u><u>-</u></u>	<u><u>8,971</u></u>	<u><u>8,971</u></u>	<u><u>9,167</u></u>

In 2015, of the total income from charitable activities, £ *NIL* was to unrestricted funds and £9,167,000 was to restricted funds.

7. EXPENDITURE

	Staff costs 2016 £000	Other non-pay expenditure		Total 2016 £000	Total 2015 £000
		Premises 2016 £000	Other costs 2016 £000		
Academy's educational operations:					
Direct costs	7,189	-	761	7,950	7,375
Support costs	868	1,563	674	3,105	3,062
	<u>8,057</u>	<u>1,563</u>	<u>1,435</u>	<u>11,055</u>	<u>10,437</u>
	<u><u>8,057</u></u>	<u><u>1,563</u></u>	<u><u>1,435</u></u>	<u><u>11,055</u></u>	<u><u>10,437</u></u>

In 2016, of the total expenditure, £1,716,000 (2015 - £795,000) was to unrestricted funds and £9,339,000 (2015 - £9,642,000) was to restricted funds.

MACMILLAN ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

8. CHARITABLE ACTIVITIES

	2016 £000	2015 £000
DIRECT COSTS		
Wages and salaries	5,757	5,458
National insurance	477	413
Pension cost	955	845
Educational supplies	514	408
Examination fees	143	138
Staff development	17	17
Technology costs	70	78
Educational consultancy	4	5
Travel and subsistence	13	13
	7,950	7,375
SUPPORT COSTS		
Wages and salaries	756	693
National insurance	38	34
Pension costs	74	75
Depreciation	852	757
Net interest cost on pension scheme	50	45
Recruitment and support	14	10
Maintenance of premises and equipment	221	350
Cleaning	142	147
Rates	121	117
Energy	106	148
Insurance	64	57
Security	65	60
Transport	212	200
Catering	290	282
Occupancy costs	20	22
Bank interest and charges	3	3
Other support costs	54	38
Governance costs	23	24
	3,105	3,062
	11,055	10,437

MACMILLAN ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

9. EXPENDITURE - ANALYSIS OF SPECIFIC EXPENSES

Included within expenditure are the following transactions:

	Total £000	Individual items above Amount £000	Reason
Fixed asset losses	3	-	None above £5,000

There were no individual transaction over £5,000 for:

- Gifts made by the trust
- Irrecoverable debts
- Compensation payments
- Stock losses
- Cash losses

10. NET INCOMING / (OUTGOING) RESOURCES

This is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the academy	852	757
Loss on disposal of fixed assets	3	-
Auditor's remuneration	9	6
	<u> </u>	<u> </u>

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11. STAFF COSTS

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	6,153	6,091
Social security costs	515	447
Operating costs of defined benefit pension schemes	1,029	920
	<hr/>	<hr/>
	7,697	7,458
Supply staff costs	82	60
Staff restructuring costs	278	-
	<hr/>	<hr/>
	<u>8,057</u>	<u>7,518</u>

Included within operating costs of defined benefit pension schemes is £94,000 (2015: £95,000) in respect of movements in the LGPS deficit.

Staff restructuring costs comprise £261,000 (2015: £nil) in respect of redundancy payments and £17,000 (2015: £nil) in respect of severance payments.

The average number of persons employed by the academy during the year was as follows:

	2016 No.	2015 No.
Teachers	132	131
Management	5	5
Administration	14	18
Premises	8	8
Educational support	49	45
Catering	21	24
	<hr/>	<hr/>
	<u>229</u>	<u>231</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2016 No.	2015 No.
In the band £60,001 - £70,000	5	3
In the band £90,001 - £100,000	0	1
In the band £100,001 - £110,000	2	0
In the band £130,001 - £140,000	0	1

The key management personnel of the academy comprise the executive group as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy was £481,000 (2015: £491,000).

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12. GOVERNORS' REMUNERATION AND EXPENSES

One or more governors has been paid remuneration or has received other benefits from an employment with the academy. The Executive Principal and other staff governors only receive remuneration in respect of services they provide undertaking the roles of Executive Principal and other staff members under their contracts of employment, and not in respect of their role as governors. The value of governors' remuneration and other benefits was as follows:

		2016	2015
		£000	£000
K Fraser, Executive Principal	Remuneration	105-110	130-135
	Pension contributions paid	15-20	15-20
P Latham, Principal	Remuneration	100-105	95-100
	Pension contributions paid	15-20	10-15
J Windham, Staff governor	Remuneration	10-15	10-15

During the year, one governor received reimbursement of expenses in the sum of £295 (2015: £408).

13. NET FINANCE EXPENDITURE ON PENSION SCHEME

	2016	2015
	£000	£000
Expected return on pension scheme assets	170	165
Interest on pension scheme liabilities	(220)	(210)
	<u>(50)</u>	<u>(45)</u>
	<u><u>(50)</u></u>	<u><u>(45)</u></u>

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14. TANGIBLE FIXED ASSETS

	Freehold land & buildings £000	Long term leasehold property £000	Motor vehicles £000	Furniture, fittings & equipment £000	Computer & educational equipment £000	Total £000
COST						
At 1 September 2015	22,962	60	49	2,868	939	26,878
Additions	-	-	29	437	203	669
Disposals	-	-	-	(15)	(149)	(164)
At 31 August 2016	<u>22,962</u>	<u>60</u>	<u>78</u>	<u>3,290</u>	<u>993</u>	<u>27,383</u>
DEPRECIATION						
At 1 September 2015	5,374	8	49	1,875	713	8,019
Charge for the year	446	-	5	291	110	852
On disposals	-	-	-	(12)	(149)	(161)
At 31 August 2016	<u>5,820</u>	<u>8</u>	<u>54</u>	<u>2,154</u>	<u>674</u>	<u>8,710</u>
NET BOOK VALUE						
At 31 August 2016	<u>17,142</u>	<u>52</u>	<u>24</u>	<u>1,136</u>	<u>319</u>	<u>18,673</u>
At 31 August 2015	<u>17,588</u>	<u>52</u>	<u>-</u>	<u>993</u>	<u>226</u>	<u>18,859</u>

Included within freehold land and buildings is land of £950,000 (2015: £950,000) which is not depreciated.

15. DEBTORS

	2016 £000	2015 £000
Trade debtors	18	-
Amounts owed by related undertakings	79	90
VAT recoverable	35	74
Other debtors	3	3
Prepayments	73	92
Grants receivable	82	81
	<u>290</u>	<u>340</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade creditors	44	68
Other creditors	105	130
Accruals and deferred income	41	75
	<u>190</u>	<u>273</u>

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16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

	2016 £000	2015 £000
DEFERRED INCOME		
Deferred income at 1 September 2015	36	73
Resources deferred during the year	24	36
Amounts released from previous years	(36)	(73)
	24	36
Deferred income at 31 August 2016	24	36

At the balance sheet date the academy was holding monies relating to the period September 2016 to March 2017 for capital and revenue grants received in advance.

17. STATEMENT OF FUNDS

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
DESIGNATED FUNDS						
Designated fund	151	-	(3)	-	-	148
	151	-	(3)	-	-	148
GENERAL FUNDS						
Unrestricted general funds	2,224	860	(1,695)	-	-	1,389
Unrestricted fixed asset funds	738	-	(18)	-	-	720
	2,962	860	(1,713)	-	-	2,109
Total unrestricted funds	3,113	860	(1,716)	-	-	2,257
	3,113	860	(1,716)	-	-	2,257
RESTRICTED FUNDS						
General annual grant (GAG)	-	8,518	(7,911)	(607)	-	-
Pupil premium	-	316	(316)	-	-	-
Post 16 Bursary	-	48	(48)	-	-	-
Other DfE/EFA grants	-	89	(89)	-	-	-
Pension reserve	(1,405)	-	(144)	-	(2,324)	(3,873)
	(1,405)	8,971	(8,508)	(607)	(2,324)	(3,873)
	(1,405)	8,971	(8,508)	(607)	(2,324)	(3,873)

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17. STATEMENT OF FUNDS (continued)

RESTRICTED FIXED ASSET FUNDS

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
GAG capital expenditure	1,276	-	(398)	607	-	1,485
Government capital grant	14,358	32	(374)	-	-	14,016
Private sector capital sponsorship	1,130	-	(28)	-	-	1,102
ERDF capital grant	576	-	(14)	-	-	562
LA capital grant	207	-	(6)	-	-	201
NDC capital grant	452	-	(11)	-	-	441
	<u>17,999</u>	<u>32</u>	<u>(831)</u>	<u>607</u>	<u>-</u>	<u>17,807</u>
Total restricted funds	<u>16,594</u>	<u>9,003</u>	<u>(9,339)</u>	<u>-</u>	<u>(2,324)</u>	<u>13,934</u>
Total of funds	<u><u>19,707</u></u>	<u><u>9,863</u></u>	<u><u>(11,055)</u></u>	<u><u>-</u></u>	<u><u>(2,324)</u></u>	<u><u>16,191</u></u>

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

The designated fund represents the contribution made by the academy from unrestricted funds towards the capital works funded by the DfE. Depreciation is charged against this fund over the useful economic life of the associated assets.

General annual grant (GAG) must be used for the normal running of the academy including salaries and related costs, overheads, repairs and maintenance and insurance.

Pupil premium is additional funding to be spent as the academy sees fit to support deprived students. Post 16 Bursary is funding for sixth form students. Other DfE/EFA grants relate to appeals, rates relief, and Year 7 catch up.

The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 22.

The restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation is charged against each fund over the useful economic life of the associated assets.

During the year a transfer of £607,000 was made from GAG to Restricted Fixed Asset Funds to cover the cost of capital expenditure in the year.

Under the funding agreement with the Secretary of State, the academy was subject to a limit on the amount of GAG that it could carry forward at 31 August 2016. Note 2 discloses whether the limit was exceeded.

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18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	866	-	17,807	18,673	18,859
Current assets	1,437	144	-	1,581	2,526
Current liabilities	(46)	(144)	-	(190)	(273)
Pension scheme liability	-	(3,873)	-	(3,873)	(1,405)
	<u>2,257</u>	<u>(3,873)</u>	<u>17,807</u>	<u>16,191</u>	<u>19,707</u>

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £000	2015 £000
Net expenditure for the year (as per Statement of financial activities)	(1,192)	(490)
Adjustment for:		
Depreciation charges	852	757
Dividends, interest and rents from investments	(32)	(27)
Loss on the sale of fixed assets	3	-
Decrease/(increase) in debtors	50	(99)
(Decrease)/increase in creditors	(83)	30
Capital grants from DfE and other capital income	(32)	(29)
Defined benefit pension scheme finance cost	144	147
Net cash (used in)/provided by operating activities	<u>(290)</u>	<u>289</u>

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash in hand	291	1,186
Notice deposits	1,000	1,000
Total	<u>1,291</u>	<u>2,186</u>

21. CAPITAL COMMITMENTS

At 31 August 2016 the academy had capital commitments as follows:

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	-	405

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NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Teesside Pension Fund. Both are multi-employer defined benefit pension schemes.

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

Valuation of the Teachers' Pension Scheme

Not less than every four years 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 will be as at March 2016, 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 period amounted to £753,000 (2015 - £641,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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22. PENSION COMMITMENTS (continued)

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.

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 2016 was £259,000 (2015 - £249,000), of which employer's contributions totalled £182,000 (2015 - £175,000) and employees' contributions totalled £77,000 (2015 - £74,000). The agreed contribution rates for future years are 14.6% for employers and variable from 5.5% to 12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.80 %
Rate of increase in salaries	3.50 %	3.50 %
Rate of increase for pensions in payment / inflation	2.00 %	2.00 %
Inflation assumption (CPI)	2.00 %	2.00 %
Commutation of pensions to lump sums	80.00 %	80.00 %

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

	2016	2015
Retiring today		
Males	23.1	23.0
Females	25.6	25.5
Retiring in 20 years		
Males	25.3	25.2
Females	28.0	27.8

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22. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities	4,420	3,677
Property	378	277
Government bonds	41	76
Corporate bonds	41	71
Cash	302	286
Other	-	81
	<u>5,182</u>	<u>4,468</u>
Total market value of assets	<u>5,182</u>	<u>4,468</u>

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(278)	(278)
Net interest cost	(50)	(45)
Past service cost	(5)	(1)
	<u>(333)</u>	<u>(324)</u>
Total	<u>(333)</u>	<u>(324)</u>
Actual return on scheme assets	<u>721</u>	<u>(52)</u>

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

	2016 £000	2015 £000 As restated
Opening defined benefit obligation	5,873	5,705
Current service cost	278	278
Interest cost	220	210
Contributions by employees	78	74
Actuarial losses/(gains)	2,875	(253)
Past service costs	5	1
Benefits paid	(274)	(142)
	<u>9,055</u>	<u>5,873</u>
Closing defined benefit obligation	<u>9,055</u>	<u>5,873</u>

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22. PENSION COMMITMENTS (continued)

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

	2016 £000	2015 £000 As restated
Opening fair value of scheme assets	4,468	4,413
Interest income	170	165
Actuarial gains and (losses)	551	(217)
Contributions by employer	189	175
Contributions by employees	78	74
Benefits paid	(274)	(142)
	5,182	4,468
	5,182	4,468

23. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the academy's future minimum lease payments under non-cancellable operating leases was:

	2016 £000	2015 £000
AMOUNTS PAYABLE:		
Within 1 year	11	-
Between 1 and 5 years	46	-
	57	-
	57	-

24. CONTINGENT LIABILITIES

In the event, during the period of the funding agreement, of the sale or disposal by other means, of any asset for which a capital grant was received, the academy shall, if it does not re-invest the proceeds, repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposals equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the funding agreement, whether as a result of the Secretary of State or the academy serving notice, the academy shall repay to the Secretary of State sums determined by reference to:

- (a) the value at the time of the academy's site and premises and other assets held for the purpose of the academy; and
- (b) the extent to which expenditure incurred in providing those assets was met by payment by the Secretary of State under the funding agreement.

All DfE/EFA and other government grants are repayable in certain circumstances if appropriate conditions are not met.

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25. GOVERNORS' 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 £2,000,000 on any one claim and the cost for the year ended 31 August 2016 was £1,618 (2015 - £1,618). The cost of this insurance is included in the total insurance cost.

26. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy's operations and the composition of the board of governors 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 academy's financial regulations and normal procurement procedures.

M A Enterprises Limited ("MAE")

D Holgate and K U Fraser, who are governors of the academy are directors and members of MAE, a company limited by guarantee.

In the year to 31 August 2016 MAE achieved an operating profit of £92,296 (2015: £89,990), which was donated to the academy under gift aid. At 31 August 2016 debtors include a balance of £78,833 (2015: £89,990) due from MAE.

27. 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 £1 for the debts and liabilities contracted before he/she ceases to be a member.

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28. FIRST TIME ADOPTION OF FRS 102

This is the first year that the academy has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

RECONCILIATION OF TOTAL FUNDS	Notes	1 September 2014 £000	31 August 2015 £000
Total funds under previous UK GAAP		20,161	19,707
Total funds reported under FRS 102		<u>20,161</u>	<u>19,707</u>

Reconciliation of net (expenditure)	Notes	31 August 2015 £000
Net expenditure previously reported under UK GAAP		(345)
Change in recognition of LGPS interest cost	A	(145)
Actuarial gains/losses brought above the line	B	36
Net movement in funds reported under FRS 102		<u>(454)</u>

Explanation of changes to previously reported funds and net income/expenditure:

A Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income. Under FRS 102 a net interest expense, based on the net defined benefit liability is recognised in expenses. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to income by £91,000, increase the debit to expenses by £54,000 and increase the credit in other recognised gains and losses in the statement of financial activities by £145,000.

B Actuarial gains

Under SORP 2005 actuarial gains and losses did not form part of net expenditure for the year. Under SORP (FRS102) these gains form part of the net movements in funds for the year.