

**Clitheroe Royal Grammar School
(A Company Limited by Guarantee)**

Annual Report and Financial Statements

for the Period 6 December 2010 to the 31 August 2011

Company Registration Number:

07461173 (England and Wales)

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Clitheroe Royal Grammar School

Reference and administrative details

Governors

Dr A D Clayton* - Chairman (*Foundation*)
Mrs J S Hart - Vice Chairman (*Foundation*)
Mr A Bury* - Chairman of Estates (*Foundation*)
Mrs J O'Duffy (*Foundation*)
Mr J Sutton* (*Foundation*)
Mrs J Mayet (*Community*)
Mr A Rogers* - Chairman of Finance (*Community*)
Mr I Kendall (*Community*)
Mrs Baier (*Parent*)
Mr J Dummer* (*Parent*)
Mrs J Houghton-Fenning – Resigned 31/10/2011
(*Parent*)
Mrs S J Redfern-Riley (*Parent*)
Mrs S Trickett – Elected 01/11/2011 (*Parent*)
Mrs R S Ambler (*Staff*)
Mr A K Carson (*Staff*)
Mrs M Dickinson* (*Staff*)
Dr J Iqbal (*Co-opted*)
Mrs A Taylor (*Co-opted*)
Mrs S Wyatt (*Co-opted*)
Mr P A Cunliffe* – Resigned 31/10/2011 (*Member*)
Mrs J Child* – Head teacher & Accounting Officer
(* Members of Finance Committee)

Secretary

Mr A McKinnell

Senior management team

Mrs J M Child (Head teacher)
Dr P Halstead (Deputy Head teacher)
Mr J Powell (Deputy Head teacher)
Miss A Farmer (Assistant Head teacher)
Miss J Renold (Assistant Head teacher)
Mr A McKinnell (Bursar)

Registered Office

York Street
Clitheroe
Lancashire
BB7 2DJ

Company Registration Number

07461173

Auditors

Colman, Whittaker and Roscow
The Close
Queen Square
Lancaster
LA1 1RS

Bankers

Barclays Bank Plc
Castle Street
Clitheroe
BB7 2BT

Foundation

Clitheroe Royal Grammar School Foundation
22 Shays Drive
Clitheroe
BB7 1LL

Governors' Report

The Governors present their annual report together with the financial statements and auditors' report of the Charitable Company for the period ended 31 August 2011.

1. Structure, Governance and Management

1.1. Constitution:

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust.

The Governors act as the trustees for the charitable activities of the Academy Trust and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Clitheroe Royal Grammar School (company number (07461173)).

Details of the Governors who served throughout the year except as noted are included in the Reference and Administrative Details on Page 2.

1.2. Members' Liability:

Each member of the Charitable Company undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

1.3. Governors' Indemnities:

Since the incorporation of the Charitable Company on 6 December 2010 the Governors (directors) have been indemnified in respect of their legal liability for financial loss arising as a result of a negligent act, accidental error or omission in the course of their official duties. As explained in Note 12 to the Financial Statements the limit of this indemnity is £2,000,000.

1.4. Principal Activities:

The principal activity of Clitheroe Royal Grammar School is to provide a quality, free education for young people, aged 11 to 19, who live in the area local to the School.

In determining its intake at Year 7 the School preferentially accepts those young people who live in the town of Clitheroe and the surrounding 41 civil parishes (as defined in the School's Admissions Policy). At Year 12, in excess of 200 students join those already in the School to enter the Sixth Form, from other Schools in the area.

1.5. Method of Recruitment and Appointment or Election of Governors:

The processes for appointing or electing the various types of Governor at Clitheroe Royal Grammar School are as follows:

- 1) *Foundation Governors* – The Trustees of the Clitheroe Royal Grammar School Foundation have the right to appoint up to FIVE governors. Such appointments are usually made following consultation by the Trustees with the Governors of the School.

In addition to their overall role as Governors, the Foundation Governors are appointed for the purpose of securing that the character of the School is preserved and developed; i.e. a selective 11 to 16 grammar school with an open access sixth form. They are also appointed to ensure that the School is conducted in accordance with the Foundation's governing documents as well as any trust deed relating to the School.

Governors' Report (continued)

- 2) *Parent Governors* – The Articles of Association require that there shall be FOUR Parent Governors. Parents, including carers, of registered pupils at the School are eligible to stand as individuals for election as a Parent Governor. They are elected by other parents at the School as individuals who are representative of the parental body. Suitable procedures have been put in place for the conduct of Parent Governor elections.

If insufficient parents stand for election, the Governing Body must appoint Parent Governors to bring their number up to that required by the Articles of Association. Such appointed Parent Governors would preferentially be parents or carers of registered pupils at the School. If, however, no such parents are willing to undertake the role then the Governing Body can appoint any person who is the parent or carer of one or more school-age children.

- 3) *Staff Governors* – Up to THREE Staff Governors are elected by the School staff as individuals, representative of the staff of the School. Both teaching and support staff paid to work at the School are eligible for staff governorship.

At Clitheroe Royal Grammar School the first and third Staff Governor places are reserved for teachers of the School. If, however, no teacher stands for election a member(s) of the support staff can be elected to take one or both of these places.

Additionally, the second Staff Governor place is reserved for a member of the School's support staff, but if no member of the support staff stands for election then a teacher can be elected to take that place.

Suitable procedures have been put in place for the conduct of Staff Governor elections.

- 4) *Community Governors* – Up to FOUR Community Governors can be appointed by the Governing Body. Community Governors can be people who live or work in the community served by the School, or people who live outside of the immediate area and who are committed to the good governance and success of the School.

Vacancies for Community Governors will be posted on the School's web site. Anyone expressing an interest in becoming a Community Governor will be asked to provide an appropriate curriculum vitae with their letter of application. Following an informal interview with the Chairman and Head teacher each application will be considered by the Governing Body.

The Governors may not appoint an employee of Clitheroe Royal Grammar School as a Community Governor if the number of Governors who are employed by the School (including the Head teacher) would thereby exceed one third of the total number of Governors.

- 5) *Co-opted Governors* – Up to THREE Co-opted Governors can be appointed by the Governing Body because they have experience and/or expertise of particular benefit to the school. Following an identification of specific needs suitable candidates are identified by the Governing Body and approached accordingly.

A "Co-opted Governor" means a person who is appointed to be a Governor by being co-opted by Governors who have not themselves been so appointed.

The Governors may not appoint an employee of Clitheroe Royal Grammar School as a Co-opted Governor if the number of Governors who are employed by the School (including the Head teacher) would thereby exceed one third of the total number of Governors.

- 6) *Member Governor* - The Members of Clitheroe Royal Grammar School (the Academy Trust) may appoint up to one Governor.

1.6. Policies and Procedures Adopted for the Induction and Training of Governors:

Following their appointment/election all new Governors receive an introduction to their role from the Chairman and Head teacher, this introduction includes tours of the School's sites and the opportunity to meet other members of the Senior Leadership Team.

The Governing Body at Clitheroe Royal Grammar School is committed to providing adequate opportunities for Governors to undertake and receive suitable training so as to enable them to undertake their role more effectively.

Governors' Report (continued)

To this end the Governing Body maintains a Service Level Agreement with the Lancashire County Council's Governor Services Department. This Agreement allows for any or all of the members of the Governing body to attend any of the training courses provide by Lancashire County Council.

All new Governors are actively encouraged to take advantage of this Agreement so as to gain a better understanding of the role and responsibilities of being a School Governor. Additionally Governors with specific roles within the Governing Body are strongly encouraged to undertake specific training.

There is a nominated Link Governor who acts as liaison between Governor Services and the Governing body.

1.7. Organisational Structure:

Before conversion to academy status on 1 January 2011 Clitheroe Royal Grammar School was a foundation school with a foundation, as defined in the School Standards and Framework Act 1998. The relative autonomy of a foundation school meant that the former Governing Body was structured to undertake similar roles to those required of the governors of an academy. Consequently, whilst the extra responsibilities of the governing body of the Academy Trust have been recognised, its structure still reflects its very successful predecessor.

At Clitheroe Royal Grammar School the majority of the roles and responsibilities of the Governing Body have been delegated to a small number of committees, as defined in the School's Standing Orders. The full Governing Body has retained responsibility for certain aspects, again as defined in the Standing Orders.

Members of the Senior Leadership Team (SLT), in addition to the Head teacher, attend Governors' meetings as appropriate.

The Governors are responsible for the strategic management of the School; deciding and setting key aspects of the School, including strategic direction, annual budgets, senior staff appointments, policy changes etc. Operational management is the responsibility of the Head teacher and staff. The latter is carried out at a number of levels; i.e. by the Senior Leadership Team, Heads of Learning, Heads of Year and Sixth Form Tutors.

School policies are developed by senior members of the School's staff, to reflect both the strategic direction agreed by the Governors and also statutory requirements. These policies are approved and adopted by the Governing Body, and implemented as procedures and systems by the SLT and other designated members of staff.

During the period since incorporation on 6 December 2010 until 31 August 2011 the full Governing Body met three times; the Finance Committee met twice; The Estates Committee twice; and the Students and Staffing and Curriculum and Achievement Committees once.

1.8. Risk Management:

As a recently converted academy Clitheroe Royal Grammar School has, since 1 January 2011, been undertaking a comprehensive assessment of possible risks to the future of the academy (Risk Register).

The chief risks indentified include:

- Variations year on year in the numbers of students joining the School at Year 12, with a concomitant effect upon funding levels.
- Year on year reductions in the per capita funding of students in the School's Sixth Form, totalling approximately 10% over the next three years.
- Deficit in the Local Authority Pension Scheme, possible increase in employer's contribution rates.

This risk assessment is nearing completion and will be brought before the Finance Committee during the next academic year. Systems and procedures are being developed to manage and mitigate these risks.

Governors' Report (continued)

1.9. Connected Organisation and Related Party Relationships:

The Trustees of the Clitheroe Royal Grammar School Foundation (Charity No. 526597) hold on trust, as a perpetual endowment, funds and investments that are the result of donations and endowments made over the years since the founding of the School by Letters Patent of Queen Mary in 1554. The income from this endowment is used in two ways:

- 1) In providing for the School such special benefits of any kind as may from time to time be agreed between the Governing Body of the School and the Trustees.
- 2) In otherwise promoting the education (including social and physical training) of persons who are pupils of the School or former such pupils under the age of 25 years and who are in need of financial assistance.

The level of support that the Trustees have been able to provide for the School has naturally varied over the years, due in part to the vagaries of the financial markets. Over the past ten years, however, around £75,000 per year has been gifted to the School under item 1 above.

The Trustees of the Clitheroe Royal Grammar School Foundation also hold the freehold to the High Moor Playing Fields of the School, which are let at a peppercorn rent on a 125 year lease to the Academy Trust.

As explained in Note 27 to the Financial Statements three Governors provided some minor services to the School in return for remuneration at the market value.

2. Objectives and Activities

2.1. Objects and Aims:

The principal object and activity of the charitable company is the operation of Clitheroe Royal Grammar School to provide education for pupils between the ages of 11 and 18 with an emphasis on languages.

The School provides an education for pupils who are preferentially drawn from the area in which the School is situated. As a former grammar school designated under Section 104 of the School Standards and Framework Act 1998 the School selects its intake at Year 7 by reference to academic ability. The School, however, operates an open-access sixth form and as such admits approximately 240 students from other 11 – 16 providers in the area at Year 12 in addition to those continuing into Year 12 from the School itself.

2.2. Objectives, Strategies and Activities:

The Academy Trust was set up on 6 December 2010 to advance, for the public benefit, education in the Clitheroe area of the County of Lancashire by maintaining, operating and developing Clitheroe Royal Grammar School; a school with a history and tradition dating back to 1554. Clitheroe Royal Grammar School offers a broadly-based curriculum with a particular emphasis on languages.

An initial objective was to ensure a smooth and seamless conversion of the School from foundation to academy status. In doing this the Governing Body determined to maintain the traditional ethos, values, standards and achievements of the School, whilst continuing to work to fulfil the School's medium and longer term development plans.

The aims of the school rest on the following principles:

- a belief that all students have various talents that need encouragement to develop
- a recognition that school should be a preparation for life in the fullest possible sense and that students do need a sound basis of knowledge, skill, competence and experience to equip them to cope with the many roles they will have to take on during their lives
- the need for a working environment which secures effective teaching and learning, and values achievement by all students in their social, moral, spiritual, cultural, mental and physical development.

Governors' Report (continued)

Clitheroe Royal Grammar School therefore aims to encourage students to:

- Develop lively, enquiring minds capable of original thought and well-balanced critical argument.
- Become confident, independent learners, well-equipped for lifelong learning.
- Derive enjoyment from their learning which should extend their intellectual capacity, develop their interest and stimulate their curiosity.
- Embrace the many opportunities afforded by developments in information and communication technologies, whilst fully accepting the responsibilities that go with using them properly.
- Engage in a broad programme of experiences which enable them to appreciate their cultural inheritance and to understand more about themselves and the world in which they live.
- Develop the capacities to make informed, rational and responsible decisions and to work in ways which enhance their self-respect and sensitivity to the needs of others, particularly those less advantaged than themselves.
- Show respect for each other and all people working in the school, and to appreciate the diverse talents that contribute to our school community.
- Play a full part in creating a caring, supportive school environment.
- Develop a range of reasoned beliefs and values and a sympathy and respect for those held by others, which will prepare them to become considerate and responsible citizens.
- Display self-discipline and proper regard for authority.
- Foster good behaviour and avoid all forms of bullying.

Development Plan Objectives for the Academic Year 2011/12

Management and Leadership:

- Review Assessment, Recording and Reporting procedures including a focus on marking policies and feedback strategies
- Develop further the school self-evaluation processes and link this to Performance Management and the School Improvement Plan in line with Ofsted criteria
- To enhance further communication within the school and wider community making use of new technologies where appropriate

Teaching and Learning:

- ICT for Learning: develop further the use of ICT for Learning including the development of the Moodle VLE, Activ Studio resources and Web 2.0 technologies including Google Apps.
- Sharing best practice in Teaching and Learning within departments and across the school – including Assessment for Learning, via staff training opportunities.

Community:

- To develop links with schools / businesses both in the local area and globally, fostering a culture of joint collaboration.

Accommodation and resources for learning:

- To examine building projects and requirements especially with regard to Sports Facilities.
- To investigate initiatives to raise funds for school.

2.3. Public Benefit:

The Governors have considered the Charity Commission's guidance on Public Benefit. The key public benefit delivered by Clitheroe Royal Grammar School is the maintenance and development of the high quality education provided by the School, for over 450 years, to the young people of Clitheroe and the surrounding parishes.

Governors' Report (continued)

In doing this Clitheroe Royal Grammar School not only offers a broadly-based academic education but aims to educate the whole individual. A very wide-range of extra-curricular activities, educational trips, visits and foreign exchange programmes are offered and undertaken.

In particular, in respect of its language specialism, the School undertakes a continuing programme of foreign language tuition at a number of its local, feeder primary schools. A programme that involves not only members of the School's language staff but also a significant number of the School's students. Additionally, the School runs a series of very successful evening classes in a variety of languages, including Spanish, Italian, Russian and Mandarin Chinese.

2.4. Achievements and Performance:

Clitheroe Royal Grammar School makes good use of an "on track approach" to monitoring progress.

Analysis of public examination outcomes for the academic year 2010/11

Clitheroe Royal Grammar School has high aspirations for its students and a drive for continuous improvement. The School's analysis of examination performance is thorough, and much use is made of performance and benchmarking data from a range of sources.

Key Stage 3

- Standards remain very high in all three core subjects and achievement/progress, taking in to account the prior attainment of pupils, is securely upper quartile.

Key Stage 4

- Overall standards are very high. The 100% target for 5+A*-C including English and Maths was achieved and the Average Points Score (APS) per student increased by 3.5 percentage points.
- Grade quality improved, the percentage of A*/A grades, at 72%, was 6.4 percentage points up on the previous year.
- Standards in the three core subjects are very high.
- In Mathematics 88% of students achieved A* or A grades and the three level progress figure, at 97% is similar to last year and above the national average for selective schools. 84% of students make four levels of progress. Standards and achievement in mathematics are securely upper quartile.
- In English Language the proportion of A*-A grades was 68%. The three levels of progress figure, at 98% is similar to 2010.
- Standards in Science are high. Over 70% of students achieved A*/A in Chemistry and Physics and an impressive 90% achieved the same standard in Biology. Standards in core and additional science are strong enabling 99% of students to achieve two or more good grades in science.
- Standards and achievement across a broad range of GCSE option subjects is consistently strong, and this is a significant strength of the school.
- The proportion of A*/A grades achieved in 2011, at 72%, was broadly comparable to achievement in other Lancashire schools with similarly selective intakes when gender differences are averaged.

Key Stage 5 (A2)

- Overall standards are very high. The proportion of A2 grades awarded at A*-B, at 68.7% is significantly in excess of the national figure (approx. 53%) and 1.7 percentage points up on last year leading to a significant increase in the UCAS score per student.
- The proportion of A* grades awarded, at 12% overall, is above the national average of 8%
- The ALPS value added analysis suggests that outcomes in most subjects were as expected given the prior attainment of students.
- When analysed in terms of the points score per subject entry ALPS indicates that most students achieve the expected outcome given their prior attainment.

Governors' Report (continued)

Key Stage 5 (AS)

- Overall standards at AS are above average.
- Standards in terms of the %AB grades are above national averages for the majority of subjects.
- The ALPS value added analysis suggests that outcomes in most subjects were broadly as expected given the prior attainment of students.
- The overall ALPS value added measure (grade 4) has improved from 2010 and indicates that students are achieving above the expected outcome given their prior attainment.
- Retention at the end of year 12 is good.

Achievement of identified groups

- Raise On Line for 2010 indicated that there were no significantly underachieving groups of students
- ALIS data suggests that there were no underachieving ethnic groups at A2 in 2011.
- Attendance rate for all groups is high (over 96%).

2.5. Going Concern:

After making appropriate enquiries, the Governing Body has a reasonable expectation that Clitheroe Royal Grammar School 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 Statement of Accounting Policies.

3. Financial review

3.1. Operating and Financial Review for the year

Most of the School's income is obtained from the DfE via the YPLA in the form of its General Annual Grant (GAG), the use of which is restricted to particular purposes; i.e. the objects of the Academy Trust. The GAG received during the period covered by this report and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

No specific Capital Grants were awarded to the School by the DfE to provide fixed assets, apart from the Devolved Formula Capital Grant (DFC). In accordance with the Charities SORP 2005, the DFC received is shown in the Statement of Financial Activities (SOFA) as restricted fixed asset funds.

On conversion on 1 January 2011, all of the fixed assets of the former foundation school were transferred to the new Academy Trust, and are shown as restricted asset funds. The balance sheet restricted fixed asset fund is reduced by depreciation charges over the expected useful life of the assets concerned, as explained in Note 1 to the Financial Statements.

Expenditure for the period covered by this report was covered by the GAG received from the DfE and other income, such as voluntary income, activities for generating funds and investment income.

The combined General Restricted Fund and Unrestricted Fund show an operating surplus, before the actuarial losses on defined benefit pension schemes, of £654k. This operating surplus is the result of detailed and tight budgeting and budget control procedures which were inherited from the former foundation school, and which have been firmly embedded in the Academy Trust's daily financial management.

The Governors are concerned with the very large deficit that the Local Government Pension Fund is reporting. (See Note 26 to the Financial Statements).

Governors' Report (continued)

3.2. Reserves Policy:

Under its Funding Agreement with the Secretary of State for Education Clitheroe Royal Grammar School is allowed to hold reserves at the year end of 2% of its General Annual Grant (GAG) for expenditure of a recurrent nature and a further 10% for expenditure of a capital nature, including maintenance and refurbishment of the School's buildings and facilities.

The Governors' Finance Committee has reviewed these reserve levels and believe that they should provide sufficient working capital to cover delays between spending and receipt of grants and to allow for unexpected situations such as urgent maintenance work. Under normal circumstances the Governors would aim to maintain reserves of between 5% and 10% of GAG as an appropriate cushion.

As of 31 August 2011 the School had reserves based upon its GAG of around 6.4% (i.e. 2% for recurrent expenditure and 4.4% for expenditure of a capital nature).

3.3. Investment Policy:

Apart from the cash held for the operation of the School, Clitheroe Royal Grammar School has no realisable investments. With respect to its cash holdings the Governing Body has adopted a low risk strategy. In addition to the main current account the School maintains an instant access deposit account. Suitable sweeping and switching procedures are in place at the School's bankers to ensure that adequate funds are available in the current account whilst maintaining a balance in the deposit account as high as possible.

3.4. Funds Held as Custodian Trustee on Behalf of Others:

During the period from 6 December 2010 to 31 August 2011 Clitheroe Royal Grammar School did not hold any funds as a custodian trustee on behalf of any other charitable organisation.

4. Plans for Future Periods

Clitheroe Royal Grammar School will continue to work to maintain the performance of its students at all levels. Additionally, it will continue its efforts to improve the achievements of its students, not only in academic subjects but also in extra-curricular activities and in essential life skills; so as to increase the number of opportunities open to its students when they move on to higher education and ultimately employment.

Clitheroe Royal Grammar School aims to continue its work in taking the teaching and learning of languages into the community local to the School, both in local schools and with members of the general public. Through this on-going initiative the School hopes to maintain and foster further the good relationships that it has developed with its "feeder" primary schools.

The Governors recognise that through good financial management over the past decade of foundation school status, they have been able to invest in and improve significantly the quality of the built environment of both sites of the School. The improvements made have not only been in the quality of the teaching spaces and facilities but also in the social and recreational areas for students and in the facilities for both teaching and support staff. They also recognise, however, that many of the sports facilities offered by the School are of a standard significantly inferior to that which they would like to be able to provide for a School of its size and standing.

A phased programme to improve upon the sports facilities was therefore embarked upon by the former Governing Body. Phase One of this programme has recently been completed with the installation of a floodlit full-size FIFA G3 all weather football and hockey pitch. Phase Two of this programme is the construction (planned) of a four-court sports hall.

Governors' Report (continued)

The School currently has insufficient funds to be able to embark upon the construction of a new sports hall and a short term objective therefore is for the School to embark upon a fund-raising programme.

5. Auditor

In so far as the Governors are aware:

- There is no relevant audit information of which the Charitable Company's auditor is unaware; and
- The Governors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditor is aware of that information.

Approved by order of the members of the Governing Body on the 7th December 2011.

And signed on its behalf by:

Dr Andrew David Clayton
Chairman

6. Statement on Internal Control

6.1. Scope of Responsibility:

As Governors, we acknowledge we have overall responsibility for ensuring that Clitheroe Royal Grammar School has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Head teacher, as Accounting Officer, for ensuring financial controls conform to 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 Clitheroe Royal Grammar School and the Secretary of State for Education. She is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

6.2. 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 Clitheroe Royal Grammar School 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 at Clitheroe Royal Grammar School from its conversion from a foundation school on 1 January 2011 for the remainder of the period ended 31 August 2011 and up to the date of approval of the annual report and financial statements.

6.3. Capacity to Handle Risk:

The Governing Body has reviewed the key risks to which Clitheroe Royal Grammar School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place from the School's conversion from a foundation school on 1 January 2011 for the remainder of the period ended 31 August 2011 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

6.4. The Risk and Control Framework:

Clitheroe Royal Grammar School'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 Governing Body;
- regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The School's system of internal financial control was introduced following its conversion to academy status. The

Statement on Internal Control (continued)

system adopted is a natural evolution of that in place as a foundation school (which was compliant with FMSIS) and is in line with the requirements of the Academies Handbook 2006.

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed an accountant with Colman, Whittaker and Roscow, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the School's financial systems. These checks are carried out to a set schedule on an approximately quarterly basis. The RO reports to the Finance Committee of the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

6.5. Review of Effectiveness:

As Accounting Officer, the Head teacher has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within the School 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 Finance Committee 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 Governing Body on the 7th December 2011.

And signed on its behalf by:

Dr Andrew David Clayton
Chairman

Mrs Judith Child
Accounting Officer

7. Statement of Governors' Responsibilities

The Governors (who act as trustees for the charitable activities of Clitheroe Royal Grammar School and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the governors' report and financial statements in accordance with the Annual Accounts Requirements issued by the Young People's Learning Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

Approved by order of the members of the Governing Body on the 7th December 2011.

And signed on its behalf by:

Dr Andrew David Clayton
Chairman

Independent Auditor's Report to the Members of Clitheroe Royal Grammar School

We have audited the financial statements of Clitheroe Royal Grammar School for the period ended 31 August 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)] and the Annual Accounts Direction 2010/11 issued by the Young People's Learning Agency.

This report is made solely to the School'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 School's members those matters we are required to state to them in an auditor's 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 School and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' Responsibilities set out on page 14, the Governors (who are also the directors of the School 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 [(APB'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 School'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. 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 School's affairs as at 31 August 2011, and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (applicable to smaller entities) ; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Annual Accounts Direction 2010/11 issued by the Young People's Learning Agency.

Opinion on other matter prescribed by the Companies Act 2006

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

(Continued)

Opinion on other matter prescribed by the School's funding agreement with the Secretary of State for Education

In our opinion grants made by the Young People's Learning Agency have been applied for the purposes intended.

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.

Mr J Bellamy FCA (Senior Statutory Auditor)
For and on behalf of:

Colman, Whittaker and Roscow, Statutory Auditor
The Close
Queen Square
Lancaster
LA1 1RS

Date 15th December 2011

**Statement of Financial Activities for the period 6 December 2010 to the 31 August 2011
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2011 £000
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Voluntary income	3	366	463	15,125	15,954
Activities for generating funds	4	73	89	-	162
Investment income	5	1	-	-	1
<i>Incoming resources from charitable activities:</i>					
Funding for the School's educational operations	6	-	4,452	26	4,478
Total incoming resources		440	5,004	15,151	20,595
Resources expended					
<i>Cost of generating funds:</i>					
Costs of generating voluntary income		-	457	-	457
Cost of activities for generating funds		72	89	-	161
<i>Charitable activities:</i>					
School's educational operations	8	-	4,077	289	4,366
Governance costs	9	-	12	-	12
Total resources expended	7	72	4,635	289	4,996
Net incoming/(outgoing) resources before transfers		368	369	14,862	15,599
Gross transfers between funds	17	-	(83)	83	-
Net income for the year		368	286	14,945	15,599
Other recognised gains and losses					
Actuarial (losses)/gains on defined benefit pension schemes	17,26	-	(965)	-	(965)
Net movement in funds		368	(679)	14,945	14,634
Reconciliation of funds					
Funds brought forward to 6 December 2010	17	-	-	-	-
Funds carried forward at 31 August 2011		368	(679)	14,945	14,634

All of the School's activities derive from continuing operations during the above financial period.

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

Clitheroe Royal Grammar School

Balance sheet as at 31 August 2011

	Notes	2011 £000	2011 £000
Fixed assets			
Tangible assets	13		14,919
Current assets			
Stock	14	3	
Debtors	15	197	
Cash at bank and in hand		1,325	
		<u>1,525</u>	
Creditors: Amounts falling due within one year	16	<u>(845)</u>	
Net current assets			680
Total assets less current liabilities			<u>15,599</u>
Net assets excluding pension liability			
Pension scheme liability	26		(965)
Net assets including pension liability			<u>14,634</u>
Funds of the School:			
Restricted funds			
Fixed asset fund	17		14,945
General funds	17		286
Pension reserve	17		(965)
Total restricted funds			<u>14,266</u>
Unrestricted funds	17		368
Total funds			<u>14,634</u>

The financial statements on pages 17 to 36 were approved by the Governors, and authorised for issue on the 7th December 2011 and are signed on their behalf by:

Dr A D Clayton

Chair of Governors

Company Limited by Guarantee
Registration Number 07461173

Cash Flow Statement for the period 6 December 2010 to the 31 August 2011

	Notes	2011 £000
Net cash inflow from operating activities	21	16,533
Capital expenditure	22	(15,208)
(Decrease)/Increase in cash in the year	23	<u>1,325</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 6 December 2010		-
Net funds at 31 August 2011		<u>1,325</u>

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011

1 Accounting Policies

Basis of Preparation

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

Going Concern

The Governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

Incoming Resources

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

- **Grants receivable**

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

- **Donations**

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

- **Other income**

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

- **Donated Services and Gifts in Kind**

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

On conversion the School took over ownership of the Land and Buildings from which it operates on York Street and Chatburn Road within Clitheroe. As no value was paid on the transfer of the Land and Buildings, they have been included within the financial statements at their insurance valuation per the 2011 policy. Also on conversion the School entered into a lease arrangement to lease the area known as the Highmoor Playing Fields. This area is to be leased from The Clitheroe Royal Grammar School Foundation (Charity Number 526597) over a period of 125 years for a peppercorn rental.

Also on conversion the School inherited the fixtures and fittings and other tangible assets for the continued use of the School. It has been decided that the cost of putting a valuation on these assets would be disproportionate to the value of the information and so they are included at a nil valuation. However the insurance replacement valuation is currently £3,090,000.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

1 Accounting Policies (continued)

Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

These are costs incurred on the School's educational operations.

- **Governance Costs**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £500 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. 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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the School's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line/reducing balance basis over its expected useful lives, as follows:

Freehold buildings	50 years straight line
Long leasehold buildings	over the length of the lease term
Fixtures, fittings and equipment	33% straight line
ICT equipment	33% straight line

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

Leased Assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

1 Accounting Policies (continued)

Stock

Stock consists of unused stationery stores and are valued at the lower of cost and net realisable value.

Taxation

The School 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 School 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.

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi employer scheme and the School is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Young People's Learning Agency/Department for Education/other funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Young People's Learning Agency/Department for Education.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

2 General Annual Grant (GAG)

a Results and carry forward for the year	2011
	£000
GAG brought forward from previous year	-
GAG allocation for current year	4,353
Total GAG available to spend	4,353
Recurrent expenditure from GAG	3,992
Fixed assets purchased from GAG	83
GAG carried forward to next year	278
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(522)
GAG to surrender to DfE	(244)
(12% rule breached if result is positive)	no breach

b Use of GAG brought forward from previous year for recurrent purposes

(Of the amount carried forward each year, a maximum of 2% of GAG can be used for recurrent purposes. Any balance, up to a maximum of 12%, can only be used for capital purposes)

Recurrent expenditure from GAG in current year	3,992
GAG allocation for current year	4353
GAG allocation from previous year x 2%	-
GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year	(361)
(2% rule breached if result is positive)	no breach

3 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000
Assets on conversion	-	15,125	15,125
Trips and other non public funds	-	453	453
Surplus on conversion to Academy	366	-	366
Other donations	-	10	10
	<u>366</u>	<u>15,588</u>	<u>15,954</u>

4 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000
Hire of facilities	1	-	1
Sale of educational goods and services	48	-	48
Exam re-sit fees	24	-	24
Catering income	-	89	89
	<u>73</u>	<u>89</u>	<u>162</u>

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

5 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000
Short term deposits	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>

6 Funding for School's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000
DfE/YPLA capital grant			
School main building grants	-	26	26
	<u>-</u>	<u>26</u>	<u>26</u>
DfE/YPLA revenue grants			
General Annual Grant (GAG) (note 2)	-	4,353	4,353
Other DfE / YPLA grants	-	12	12
	<u>-</u>	<u>4,365</u>	<u>4,365</u>
Other Government grants			
School Standards Funds	-	87	87
	<u>-</u>	<u>87</u>	<u>87</u>
	<u>-</u>	<u>4,478</u>	<u>4,478</u>

7 Resources Expended

	Staff Costs £000	Non Pay Expenditure		Total 2011 £000
		Premises £000	Other Costs £000	
Costs of generating voluntary income	-	-	457	457
Costs of activities for generating funds	41	-	120	161
School's educational operations				
Direct costs	2,625	680	395	3,700
Allocated support costs	435	168	63	666
	<u>3,101</u>	<u>848</u>	<u>1,035</u>	<u>4,984</u>
Governance costs including allocated support costs	4	-	8	12
	<u>3,105</u>	<u>848</u>	<u>1,043</u>	<u>4,996</u>

The method used for the apportionment of support costs is disclosed in the accounting policies.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

7 Resources Expended (continued)

	2011 £000
Incoming/outgoing resources for the year include:	
Operating leases	6
Fees payable to auditor:	
Audit	6
Other services	1
Profit/(loss) on disposal of fixed assets	-
	<hr/>

8 Charitable Activities - School's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000
Direct costs			
Teaching and educational support staff costs	-	2,625	2,625
Depreciation	-	221	221
Educational supplies	-	251	251
Examination fees	-	131	131
Staff development	-	13	13
Maintenance of premises and equipment	-	459	459
	<hr/>	<hr/>	<hr/>
	-	3,700	3,700
Allocation supported costs			
Support staff costs	-	435	435
Depreciation	-	68	68
Recruitment and support	-	4	4
Cleaning	-	16	16
Rent and rates	-	32	32
Insurance	-	31	31
Security and transport	-	17	17
Heat and light	-	52	52
Other support costs	-	11	11
	<hr/>	<hr/>	<hr/>
	-	666	666
	<hr/>	<hr/>	<hr/>
	-	4,366	4,366

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

9 Governance Costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000
Legal and professional fees	-	1	1
Auditor's remuneration:			
• Audit of financial statements	-	6	6
• Responsible officer audit	-	1	1
Support Costs:			
Clerk to the Governors	-	4	4
	-	12	12

10 Staff Costs

	2011 £000
Staff costs during the period were:	
Wages and salaries	2,498
Social security costs	185
Pension costs	371
	<u>3,054</u>
Supply teacher costs	51
	<u>3,105</u>

The average number of persons (including senior leadership team) employed by the School during the year, and the full time equivalents, was as follows:

	2011 Number	2011 Full-time equivalent
Charitable Activities		
Teachers	76	71
Teaching Support Staff	45	28
Other Support Staff and Administration	44	14
Senior Leadership Team	6	6
	<u>171</u>	<u>119</u>

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

	2011 £000
£60,001 - £70,000	2
£100,001 - £110,000	1
	<u>3</u>

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

10 Staff Costs (continued)

All of the above employees participated in the Teacher's Pension Scheme. During the period ended 31 August 2011, pension contributions for these staff amounted to £21,208.

11 Governors' Remuneration and Expenses

The head teacher and other staff Governors only received remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Governors. The value of the head teacher and staff Governors' remuneration in respect of their services as Governors was £nil. Other Governors did not receive any payments, other than expenses, from the School in respect of their role as Governors.

During the period ended 31 August 2011, travel and subsistence and sundry other amounts totalling £60 were reimbursed to Governors.

Related party transactions involving the Governors are set out in note 27.

12 Governors' and Officers' Insurance

In accordance with normal commercial practice the School has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2011 was £655.

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

13 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Total £000
Cost					
At 6 December 2010	-	-	-	-	-
Additions	15,000	125	83	-	15,208
Disposals	-	-	-	-	-
At 31 August 2011	15,000	125	83	-	15,208
Depreciation					
At 6 December 2010	-	-	-	-	-
Charged in year	260	1	28	-	289
Disposals	-	-	-	-	-
At 31 August 2011	260	1	28	-	289
Net book values					
At 31 August 2011	14,740	124	55	-	14,919
At 6 December 2010	-	-	-	-	-

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

14 Stock

	2011
	£000
Stationery	3
	<u>3</u>

15 Debtors

	2011
	£000
Prepayments	21
Other debtors	176
	<u>197</u>

16 Creditors: amounts falling due within one year

	2011
	£000
Trade creditors	99
Other taxation and social security	98
Other creditors	357
Accruals and deferred income	291
	<u>845</u>

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

17 Funds

	Balance at 6 December 2010 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2011 £000
Restricted general funds					
General Annual Grant (GAG)	-	4,353	(3,992)	(83)	278
Other DfE/YPLA grants	-	99	(97)	-	2
Other restricted funds	-	552	(546)	-	6
	-	5,004	(4,635)	(83)	286
Pension reserve	-	-	-	(965)	(965)
	-	5,004	(4,635)	(1048)	(679)
Restricted fixed asset funds					
DfE/YPLA capital grants	-	26	-	-	26
Capital expenditure from GAG	-	-	(28)	83	55
Assets on conversion	-	15,125	(261)	-	14,864
	-	15,151	(289)	83	14,945
Total restricted funds	-	20,155	(4,924)	(965)	14,266
Unrestricted funds	-	440	(72)	-	368
Total funds	-	20,595	(4,996)	(965)	14,634

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

The General Annual Grant (GAG) must be used for the normal running costs of the School. The School is allowed to carry forward 12% of the current GAG. Of the carry forward amount, up to 2% of the GAG can be used for general purposes at the discretion of the School, but any balance over 2% must be used for the upkeep and improvement of premises or for capital purposes.

Other DfE/YPLA Grants includes monies received outside of GAG funding and these Grants are all related to the furtherance of education within the School. £2,000 of this Grant income remains unspent at the period end.

Other restricted funds include monies from trips & non public funds, donations and catering. During the period the catering function and the trips & non public funds had no excess expenditure over income. The donations received are for restricted purposes and as at the period end £6,000 of the donations received remained unspent.

Assets on conversion represent the transfer of the freehold assets valued at £15,000,000 into the School on conversion to academy status depreciated over a 50 year period. A further leasehold asset valued at £125,000 was transferred into the School on conversion and this will be amortised over the lease term of 125 years.

Unrestricted funds represents funds generated via activities such as the sale of materials and music lessons to students, payments from other schools for the provision of teaching staff and income from universities with respect to student teachers. It also includes the brought forward surplus on conversion to academy status. The surplus on this fund at the period end was £368,000 and these funds can be used at the discretion of the Governors to meet the charitable objectives of the School.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

18 Analysis of net assets between funds

Fund balances at 31 August 2011 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	14,919	14,919
Current assets	368	1,131	26	1,525
Current liabilities	-	(845)	-	(845)
Pension scheme liability	-	(965)	-	(965)
Total net assets	<u>368</u>	<u>(679)</u>	<u>14,945</u>	<u>14,634</u>

19 Capital commitments

	2011 £000
Contracted for, but not provided in the financial statements	<u>-</u>

20 Financial commitments

Operating leases

At 31 August 2011 the School had annual commitments under non-cancellable operating leases as follows:

	2011 £000
Land and buildings	
Expiring within one year	-
Expiring within two and five years inclusive	-
Expiring in over five years	<u>-</u>
	<u>-</u>
Other	
Expiring within one year	1
Expiring within two and five years inclusive	1
Expiring in over five years	<u>-</u>
	<u>2</u>

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

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

	2011 £000
Net deficit	(518)
Depreciation (note 13)	289
Capital grants from DfE and other capital income	15,151
Interest receivable (note 5)	1
FRS 17 pension cost less contributions payable (note 26)	922
FRS 17 pension finance income (note 26)	43
(Increase) in stocks	(3)
(Increase) in debtors	(197)
Increase in creditors	845
Net cash inflow from operating activities	<u>16,533</u>

22 Capital expenditure and financial investment

Purchase of tangible fixed assets	(83)
Capital grants from DfE/YPLA	-
Assets on conversion	(15,125)
Net cash outflow from capital expenditure and financial investment	<u>(15,208)</u>

23 Analysis of changes in net funds

	At 6 December 2010 £000	Cash flows £000	At 31 August 2011 £000
Cash in hand and at bank	<u>-</u>	<u>1,325</u>	<u>1,325</u>
	-	1,325	1,325

24 Contingent Liabilities

During the period of the funding agreement, in the event of the sale or disposal by other means of any capital asset for which a Government Capital grant was received, the School is required to either re-invest the proceeds or to repay the Secretary of State for Education and Skills the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State, as the Secretary of State may require.

25 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.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

26 Pension and similar obligations

The School'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 Lancashire County Pension Fund. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

At the end of the financial period contributions amounting to £67,810 were payable to the schemes at 31 August 2011 and are included within creditors.

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£163,240 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 6 December 2010 to 31 August 2011 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

26 Pension and similar obligations (continued)

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the School has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The School has set out above the information available on the scheme and the implications for the School in terms of the anticipated contribution rates.

Local Government Pension Scheme

The School is one of several employing bodies included within the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The total contribution made for the period ended 31 August 2011 was £116,000, of which employer's contributions totalled £91,000 and employees' contributions totalled £25,000. The agreed contribution rates for future years are 21.9% for employers and rate for employees remains dependent on the salary of the employee.

Principal Actuarial Assumptions

	At 31 August 2011
Rate of increase in salaries	4.7%
Rate of increase for pensions in payment / inflation	2.7%
Discount rate for scheme liabilities	5.3%
Inflation assumption (CPI)	2.7%
Commutation of pensions to lump sums	50%

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 2011
Retiring today	
Males	21.6
Females	24.2
Retiring in 20 years	
Males	23
Females	25.8

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	Expected return at 31 August 2011	Fair value at 31 August 2011 £000
Equities	7.0%	658
Government bonds	3.7%	53
Other bonds	4.8%	148
Property	6.0%	95
Cash/liquidity	0.5%	32
Other	7.0%	74
Total market value of assets		<u>1,060</u>
Present value of scheme liabilities		
- Funded		(2,025)
Surplus/(deficit) in the scheme		<u>(965)</u>

The actual return on scheme assets was (£19,000).

Amounts recognised in the statement of financial activities

	2011 £000
Current service cost (net of employee contributions)	86
Past service cost	-
Total operating charge	<u>86</u>
Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	68
Interest on pension liabilities	(111)
Pension finance income / (costs)	<u>(43)</u>

The actual gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £965,000 loss.

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2011 £000
At 6 December 2010	-
Current service cost	86
Past service cost	-
Interest cost	70
Employee contributions	25
Actuarial (gain)/loss	(85)
Curtailments and settlements	-
Benefits paid	(6)
Business combinations	1,935
At 31 August 2011	<u>2,025</u>

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

	2011 £000
At 6 December 2010	-
Expected return on assets	44
Actuarial gain/(loss)	(63)
Employer contributions	91
Business combinations	969
Employee contributions	25
Assets distributed on settlements	-
Transfer in of new members	-
Benefits paid	(6)
At 31 August 2011	<u>1,060</u>

The estimated value of employer contributions for the year ended 31 August 2012 is £134,000.

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

	2011 £000
Present value of defined benefit obligations	(2025)
Fair value of share of scheme assets	1060
Surplus/(Deficit) in the scheme	<u>(965)</u>
Experience adjustments on share of scheme assets	(63)
Experience adjustments on scheme liabilities:	<u>-</u>

Notes to the Financial Statements for the period 6 December 2010 to the 31 August 2011 (continued)

27 Related Party Transactions

During the accounting period two Governors acted as Exam Invigilators on behalf of the school. The Governors received the market value remuneration for their role in this post.

Also during the period a seminar was provided by a company in which a Governor has a business interest. The value of this seminar was £4,720 net of VAT and the amount paid was reflective of the market value.

No other transactions with Governors were undertaken during the course of the period ended 31st August 2011.