

**Fulwood Academy**

**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year ended 31 August 2011**

**Company Registration Number: 6960253**

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## Reference and administration information

### Trustees

Charles Dunstone  
David C Goldie  
Victoria Hornby  
Frederick W Wood

Sponsor

### Governing Body

David C Goldie  
Rebekah Brooks  
Russell E Chambers  
Judith F Elcomb  
Alison Ellis  
Alan Kinson  
George Lloyd  
Cathryn M McGinty  
Stephen J Mercer  
Andrew Rink  
Richard I Smyth  
Frederick W Wood  
Philip Haslam  
Stephen J Mercer

Chair

Teacher governor

Non-teacher staff governor

Parent governor

Resigned 14 July 2011

Resigned 8 March 2011

Local authority governor Resigned 31 March 2011

Principal

Appointed 8 March 2011

Appointed 13 July 2011

### DfE Observer

Colin Geddes

### Company Secretary

Mark Ibbertson

### Registered Office

Fulwood Academy  
Black Bull Lane  
Fulwood  
Preston  
PR2 9YR

### Principal Office

Fulwood Academy  
Black Bull Lane  
Fulwood  
Preston  
PR2 9YR

### Registered Company Number

6960253

### Auditors

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds LS1 4DW

### Solicitors

Pannone LLP  
123 Deansgate  
Manchester  
M3 2BU

### Bankers

Lloyds TSB Bank plc  
Old Market Place  
Grimsby Branch  
PO Box 1000  
BX1 1LT

## **Trustees' Report**

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2011

### **Structure, Governance and Management**

#### **Constitution**

The Academy is a company limited by guarantee with no share capital (registration no 6960253) and an exempt charity for taxation purposes. The Academy was incorporated on 13 July 2009 and commenced trading on 1 September 2009. The charitable company's memorandum and articles of association are the primary governing documents of the Academy. Members of the charitable company are nominated by Charles Dunstone, the main sponsor of the Academy. The articles of association require the members of the charitable company to appoint at least three trustees to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy.

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

A copy of the Annual report and Financial Statements is filed with the Registrar of Companies.

#### **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.

#### **Principal Activities**

The principal object and activity of the charitable company is the operation of the Fulwood Academy to provide education for pupils of different abilities between the ages of 11 and 19 with an emphasis on Technology, Media, and the Arts.

The company also maintains the Fulwood Academy Endowment Fund. The Fund was created to hold the endowment to be paid by the Academy's sponsor, the Charles Dunstone Charitable Trust, and will total £2 million when it is fully paid. The trustees are responsible for determining the specific uses of Endowment Fund income, which will be used to counter the educational impact of disadvantage and deprivation, and for educational work within the local community. This income should not be used to meet the normal running costs of the Academy. The principal amount of the investment may not be used without the express prior written consent of the Secretary of State for Education.

## **Trustees' Report** *(continued)*

### **Method of Recruitment and Appointment or Election of Trustees and Governors**

The trustees are appointed by the Academy sponsor, the trustee board may appoint up to three co-opted trustees, and the Secretary of State for Education may appoint trustees in exceptional circumstances. No trustees were co-opted nor were appointments made by the Secretary of State in 2010/2011. Trustees may be removed by the person or persons who appointed them.

The governors are appointed by the Academy sponsor, with the exception of a parent governor, who is elected by parents of the students at the Academy, two staff governors, who are elected by the staff of the Academy, and a local government representative who is appointed by Lancashire County Council. The Young Persons Learning Agency may appoint an observer to the governing body.

### **Policies and Procedures Adopted for the Induction and Training of Governors**

All governors are provided with copies of procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as governors.

### **Organisational Structure**

The Academy is governed by the trustee board which delegates functions as appropriate to a Local Governing Body who are appointed by the trustees as a committee. Trustees are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation. The organisational structure of the Academy consists of three levels: The trustees, governors, and the Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, and senior staff appointments. The governors are responsible for monitoring the performance of the Principal and Senior Leadership Team on a regular basis.

The Senior Leadership Team members are the Principal, four Vice Principals, the Academy Manager, three Assistant Principals, the head of 6<sup>th</sup> Form, and the Director of Standards. These managers control the Academy at an executive level implementing the policies laid down by the governors and reporting back to them. As a group the Senior Leadership Team are responsible for the authorisation of spending within agreed budgets and the appointment of staff. The Principal authorises all orders within the Academy.

### **Risk Management**

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

## **Trustees' Report** *(continued)*

### **Connected Organisations, including Related Party Relationships**

Fulwood Academy is a member of the Uppingham Collegiate, a group of academies that work together where there is common ground, but which have no formal links. The Academy works closely on a number of issues with the Havelock Academy from the David Ross Education Trust. In its first two years the Academy has procured the services of the Trust Finance Director.

### **Objectives and Activities**

#### **Objects and Aims**

In accordance with the articles of association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should develop the substance of the national curriculum.

The main objectives of the Academy during the period ended 31 August 2011 are summarised below:

- To make learning exciting in ways that fully utilise new digital technologies
- To promote creativity and design excellence across the Arts
- To take a radical look at learning for today and develop a sound and successful strategy for the future
- To challenge the acceptance of the status quo and constantly seek to raise expectations and aspirations
- To model life long learning approaches amongst staff and students
- To value and practice exemplary teaching
- To initiate and practice collaboration and partnerships with students, colleagues, parents and carers, and the communities of Fulwood to build regional, national and international networks to benefit our students
- To provide value for money for the funds expended
- To comply with all appropriate statutory and curriculum requirements
- To conduct the Academy's business in accordance with the highest standards of integrity, probity and openness

#### **Objectives, Strategies and Activities**

The Academy's main strategy is encompassed in its Ethos, Vision, and Values Policy wherein the Academy is committed to young people's entitlement to a good education, and students of all abilities will be supported to achieve their full potential.

To this end the Academy aims to provide:

- A curriculum which will focus on understandings and competence that have enduring and intrinsic value
- Opportunities to show students how to incorporate new information into their existing knowledge through activities that induce critical thinking with conceptual as well as practical real life problems
- Successful personalised learning approaches which relate to and build on the learner's experience, knowledge and cognitive skills and thus develop their confidence and competence, leading towards autonomy, emancipation and self-actualisation
- Opportunities that focus on each individual's potential, developing their learning skills (particularly in relation to ICT) and enhancing creativity, personal and social skills

## **Trustees' Report** *(continued)*

### **Public Benefit**

The Academy's catchment includes some of the most deprived areas of Lancashire. Students are admitted in accordance with the admissions policy agreed with the Department for Education (DfE), formerly the Department for Children, Schools and Families, which is based on the Academy's catchment area. Students are able to study a wide range of subjects, and in addition the Academy offers a range of activities and experiences (extra-curricular activities) for its students, funded from donations and other non-restricted income, which help our students to broaden their horizons beyond the immediate area.

### **Achievements and Performance**

2010/2011 was the second academic year of the Academy. Total students in the year ended 31 August 2011 numbered 918 (2010 1,008).

Although student numbers are reducing year on year, with low intakes at Year 7, the Academy is showing signs of improvement. GCSE results improved in the Academy's second year, with 40% of students achieving five GCSEs at grades A-C, including Mathematics and English (29% in 2009/2010). An Ofsted inspection visit in January 2011 concluded that the Academy was weak in several areas, particularly in the provision of English and Mathematics teaching, the Academy's positive and constructive response to this visit shows in the examination results at the end of the year, and in October 2011 Ofsted returned for a full visit and concluded that the Academy was Satisfactory, with several good points.

The Academy's extra-curricular programme developed during the period, and planning continued on opening the Academy's sixth form from September 2011. The sixth form opened with an admission of 58 students, which was substantially higher than expected.

The decline in student numbers is of concern, there are surplus school places in the Preston area, but the Academy's decline in numbers has been faster than the decline in overall pupil numbers in the area. It is hoped that the attraction of a new building, a growing sixth form, and an improving reputation will attract students back to the Academy, and in 2011/2012 a marketing campaign has commenced. At the same time the Academy must plan for the prospect of a declining roll, and adjustments to staffing numbers at the end of 2010/2011 were made in anticipation of the 2011/2012 intake.

### **Going Concern**

After making appropriate enquiries, the Governing Body 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 Statement of Accounting Policies.

## **Trustees' Report** *(continued)*

### **Financial Review**

Most of the Academy's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2011 and the associated expenditure are shown as restricted funds (non-fixed assets) in the Statement of Financial Activities.

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

Work is in progress on the new build project for Fulwood Academy. The costs and project management of the main building project are dealt with by the local authority, and ICT refurbishment and the provision of a managed service will be provided through the Local Education Partnership.

During the year ended 31 August 2011, total expenditure of £6,493,068 was less than recurrent grant funding from the DfE together with other incoming resources. The excess of income over expenditure for the year was £68,130 (2010 £3,848,000, including the permanent endowment received of £2,000,000).

At 31 August 2011 the net book value of fixed assets was £258,000 (2010 £313,000) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The Academy's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Academy's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Academy balance sheet includes a net liability of £69,000 (2010 £261,000).

The first instalment of the sponsor's endowment has now been received. £1,500,000 is due to be paid by 31 August 2014.

The Academy premises are leased for a peppercorn from Lancashire County Council and a notional annual rental of £580,000 (2010 £580,000) is included in the accounts.

### **Financial and Risk Management Objectives and Policies**

The Academy will carry a large cash balance into 2011/2012, and cash flow issues are therefore minimal for the time being. The current decline in student numbers will affect grant funding in 2011/2012 and beyond, and the Academy intends to utilise its cash balances to cushion the impact of falling grants over time, and thus to minimise the need to make short term adjustments to staff numbers. The Academy does carry a pension deficit, which has reduced from £261,000 to £69,000.



## **Trustees' Report** *(continued)*

### **Principal Risks and Uncertainties**

The Academy maintains a detailed risk register, that is discussed regularly by the Senior Leadership Team, and key risks are then reported to the Governing Body. The Academy's key risks currently are academic, based around standards and examination results, falling student rolls and failure to recruit into the sixth form, and delays in the new build project. All of these can potentially impact on the Academy's funding levels.

### **Reserves Policy**

The Academy's "free" reserves are its funds after excluding restricted funds and the permanent endowment fund. "Reserves" are therefore the resources the Academy has or can make available to spend for any or all of the Academy's purposes once it has met its commitments and covered its other planned expenditure. More specifically "free reserves" represent income to the Academy which is to be spent at the trustees' discretion in furtherance of any of the Academy's objects but which is not yet spent, committed or designated.

The Academy is in a development phase. Whilst demands on the Academy's free reserves will therefore vary over the coming years, the Academy's long-term policy is that the appropriate level of free reserves should be equivalent to one month's expenditure, currently estimated to be between £450,000 and £650,000. 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.

Whilst the academy's current level of free reserves is £128,000 (2010 £67,000), which is below this figure, it does hold substantial balances to be used for the Academy's charitable purposes. The Academy intends to build up its free reserves to the level required.

### **Investment Policy**

The trustees agree all investments made by the Academy. Investments are made with regard to Charity Commission guidance in relation to investments. Currently all investments are held in cash.

### **Plans for Future Periods**

In setting our objectives and planning our activities the trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

The Academy will continue striving to improve the levels of performance of its students at all levels and continue its efforts to ensure its students get jobs or a place in higher education once they leave. The Academy's targets for 2011/2012 build on the Academy's successes in raising student attainment and improving behaviour, and facilitating increased participation in extra-curricular activities.

## Trustees' Report *(continued)*

### Auditor

In so far as the trustees are aware

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

Approved by order of the members of the Governing Body on 17 January 2012 and signed on its behalf by



David C Goldie  
Chair

## **Statement on Internal Control**

### **Scope of Responsibility**

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

The Governing Body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Fulwood Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

### **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 Fulwood Academy for the year ended 31 August 2011 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The Governing Body has reviewed the key risks to which the Academy 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's significant risks that has been in place for the year ending 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.

### **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 Governing Body,
- regular reviews by the Finance and General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- setting targets to measure financial and other performance,
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties, and
- identification and management of risks.

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed Frederick W Wood, a trustee and governor as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. The RO reports to each Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

The RO function has been fully delivered in line with the YPLA's requirements. No material control issues have arisen as a result of the RO's work.

### **Review of Effectiveness**

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

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

Approved by order of the members of the Governing Body on 17 January 2012 signed on its behalf by



**Frederick W Wood**  
**Responsible Officer**



**David C Goldie**  
**Chair**

## **Statement of Trustees' Responsibilities**

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

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles 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 trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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



**KPMG LLP**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

**Independent auditor's report to the members of Fulwood Academy**

We have audited the financial statements of Fulwood Academy for the year ended 31 August 2011 set out on pages 14 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's (the Academy's) members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinions in relation to regularity and compliance with the Accounts Direction 2010/11 issued by the Young Peoples Learning Agency ("YPLA"), on terms that have been agreed. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to regularity and compliance with the Accounts Direction 2010/11 issued by the YPLA, those matters that we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Governors and auditor**

As explained more fully in the Statement of Responsibilities set out on page 11, the Governors (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 Board of Governors; and, the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual 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 Academy's affairs at 31 August 2011, 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 UK Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006,
- have been prepared in accordance with the Academies Accounts Direction 2010/11 issued by the YPLA

### **Opinion on regularity**

In our opinion, in all material respects, grants from the YPLA/DfE have been applied by the Academy for the purposes intended

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

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

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

*Malcolm C Harding*

**Malcolm C Harding (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

*7 February 2012*

## Statement of Financial Activities for the year ended 31 August 2011 (including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted Funds – Non- Fixed Assets £000	Restricted Fixed Asset Funds £000	Fulwood Academy Endowment Fund £000	Total Year Ended 31 <sup>st</sup> August 2011 £000	60 Week Period ended 31 August 2010 £000
<b>Incoming Resources</b>							
Incoming resources from generated funds							
Voluntary income	3	-	580	-	-	580	2,842
Activities for generating funds	4	79	11	-	-	90	79
Investment income	5	14	-	-	-	14	6
Incoming resources from charitable activities							
Funding for the Academy's educational operations	6	-	5,823	54	-	5,877	7,024
<b>Total incoming resources</b>		<b>93</b>	<b>6,414</b>	<b>54</b>	<b>-</b>	<b>6,561</b>	<b>9,951</b>
<b>Resources expended</b>							
Charitable activities							
Academy's educational operations	8	-	(6,307)	(152)	-	(6,459)	(6,078)
Governance costs	9	(32)	-	-	-	(32)	(18)
Other finance costs		-	(2)	-	-	(2)	(7)
<b>Total resources expended</b>	7	<b>(32)</b>	<b>(6,309)</b>	<b>(152)</b>	<b>-</b>	<b>(6,493)</b>	<b>(6,103)</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>61</b>	<b>105</b>	<b>(98)</b>	<b>-</b>	<b>68</b>	<b>3,848</b>
Gross transfers between funds	13	-	(97)	97	-	-	-
<b>Net income/(expenditure) for the year</b>		<b>61</b>	<b>8</b>	<b>(1)</b>	<b>-</b>	<b>68</b>	<b>3,848</b>
Actuarial gain/(loss) on defined pension benefit scheme	24	-	234	-	-	234	(74)
<b>Net movement in funds</b>		<b>61</b>	<b>242</b>	<b>(1)</b>	<b>-</b>	<b>302</b>	<b>3,774</b>
<b>Reconciliation of funds</b>							
Funds brought forward		67	862	592	2,000	3,521	-
Pension deficit inherited from Lancashire County Council		-	-	-	-	-	(253)
<b>Funds carried forward at 31 August 2011</b>		<b>128</b>	<b>1,104</b>	<b>591</b>	<b>2,000</b>	<b>3,823</b>	<b>3,521</b>

All of the Academy's activities derive from continuing operations during the above two financial periods  
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities



## Income and expenditure account for the year ended 31 August 2011

		Year ended 31 August 2011 £000s	60 Week Period ended 31 August 2010 £000s
	Note		
<b>Income</b>			
General Annual Grant (GAG) and start up grants	6	5,141	6,114
DfE capital grants	6	54	279
Other DfE grants	6	576	431
Other Government grants	6	106	200
Private sponsorship and donations	3	580	842
Permanent endowment	3	-	2,000
Bank interest	5	14	6
Other income	4	90	79
<b>Total income</b>		<u>6,561</u>	<u>9,951</u>
<b>Expenditure</b>			
General Annual Grant (GAG) related expenditure		(6,309)	(5,877)
Other DfE grant expenditure		-	(100)
Depreciation	13	(152)	(108)
Other expenditure		(32)	(18)
<b>Total expenditure</b>	7	<u>(6,493)</u>	<u>(6,103)</u>
<b>Excess of income over expenditure</b>		<u>68</u>	<u>3,848</u>

The surplus for the year is the surplus on an historical cost basis

## Balance sheet at 31 August 2011

	Note	2011 £000s	2010 £000s
<b>Fixed assets</b>			
Tangible assets	13	<u>258</u>	<u>313</u>
		<u>258</u>	<u>313</u>
<b>Current assets</b>			
Debtors (includes £1.5m due after more than one year)	14	1,653	1,756
Cash at bank and in hand		<u>2,631</u>	<u>2,119</u>
		<u>4,284</u>	<u>3,875</u>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	15	<u>(650)</u>	<u>(406)</u>
<b>Net current assets</b>		<u>3,634</u>	<u>3,469</u>
<b>Total assets less current liabilities</b>		<u>3,892</u>	<u>3,782</u>
<b>Net assets excluding pension liability</b>		3,892	3,782
Defined benefit pension scheme liability	24	<u>(69)</u>	<u>(261)</u>
<b>Net assets including pension liability</b>		<u>3,823</u>	<u>3,521</u>
<b>Funds</b>			
<b>Restricted funds</b>			
Permanent endowment	16	2,000	2,000
Restricted fixed asset fund	16	591	592
Restricted non-fixed asset fund – before pension liability	16	1,173	1,123
Defined benefit pension scheme liability	16	<u>(69)</u>	<u>(261)</u>
Restricted non-fixed asset fund – after pension liability		<u>1,104</u>	<u>862</u>
<b>Unrestricted funds</b>			
Unrestricted fund	16	<u>128</u>	<u>67</u>
<b>Total unrestricted funds</b>		<u>128</u>	<u>67</u>
		<u>3,823</u>	<u>3,521</u>

The financial statements on pages 14 to 33 were approved by the trustees, and authorised for issue on 17 January 2012 and are signed on their behalf by



David C Goldie  
Chair

COMPANY NUMBER 6960253

## Cash flow statement for the year ended 31 August 2011

	Note	Year ended 31 August 2011 £000s	Period ended 31 August 2010 £000s
Net cash inflow from operating activities	19	541	1,493
Permanent endowment funds receipt		-	500
Returns on investments and servicing of finance		14	6
Capital income and expenditure	20	<u>(43)</u>	<u>120</u>
<b>Increase in cash in the year</b>	21	<b><u>512</u></b>	<b><u>2,119</u></b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2010		<u>2,119</u>	<u>-</u>
<b>Net funds at 31 August 2011</b>		<b><u>2,631</u></b>	<b><u>2,119</u></b>

## **Notes**

**(Forming part of financial statements)**

### **1 Statement of Accounting Policies**

#### ***Basis of Preparation***

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the YPLA 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 trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

#### ***Incoming Resources***

All incoming resources are recognised when the Academy 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 and included in debtors as accrued income.

- **Sponsorship income**

Sponsorship income provided to the Academy which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and the amount can be reliably measured.

- **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.

## Notes (continued)

### Statement of Accounting Policies (continued)

- **Donated Services and gifts in kind**

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

The Academy holds land and buildings on a lease from Lancashire County Council, with a rental of one peppercorn a year to be paid. The current lease is for 3 years from 1 September 2009, and the accounts show a notional rental for the buildings based on building valuations compiled by the Valuation Office Agency. Construction of a new building began in 2010/2011, and on completion during 2011/2012 the Academy will enter into a 125 year lease for the entire site. Of the existing building stock, the main hall and sports hall will be retained and refurbished, and these buildings which are currently part of the existing 3 year lease will be included in the new 125 year lease. At this point all of the Academy premises will be valued and entered into the balance sheet and depreciated over their estimated useful life.

There were a number of assets transferred from Lancashire County Council on 1 September 2009 that are still used by the Academy and are expected to be until the move to the new buildings scheduled for September 2012. These assets are principally school furniture, office equipment and gallery display equipment, the majority of which were old. Inherited assets totalling £261,815 (with an estimated individual value of over £1,000) were capitalised on 1 September 2009 and are being depreciated over a three year period, which aligns with the timeframe for the new-build project.

### 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.

- **Charitable activities**

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

- **Governance Costs**

These include the costs attributable to the Academy'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.

## **Notes (continued)**

### **Statement of Accounting Policies (continued)**

#### ***Tangible Fixed Assets***

Assets costing £1,000 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. 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 Academy'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 basis over its expected useful life, as follows:

Fixtures, fittings and equipment	3-10 years
ICT equipment	3 years

#### ***Leased Assets***

Rentals under operating leases are charged on a straight line basis over the lease term.

#### ***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.

#### ***Pensions 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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

## **Notes (continued)**

### **Statement of 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 method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

### ***Fund Accounting***

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Young People's Learning Agency 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.

## Notes (continued)

### 2 General Annual Grant (GAG)

	2011 £000	2010 £000
GAG brought forward from previous year	-	-
GAG allocation for current year	4,594	5,295
<b>Total GAG available to spend</b>	<b>4,594</b>	<b>5,295</b>
Recurrent expenditure from GAG	4,529	5,281
Fixed assets purchased from GAG	65	14
<b>GAG carried forward to next year</b>	<b>-</b>	<b>-</b>
Maximum permitted GAG carry forward at end of current period (12% of allocation for current year)	551	635
<b>GAG to surrender to DfE</b>	<b>-</b>	<b>-</b>
(12% rule breached if result is positive)	No breach	No breach

### 3 Voluntary income

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2010 £000
Donations - capital	-	-	-	262
Private sponsorship	-	-	-	2,000
Other donations	-	580	580	580
	-	580	580	2,842

### 4 Activities for generating funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2010 £000
Hire of facilities	39	-	39	34
Sundry income	40	11	51	45
	79	11	90	79

### 5 Investment income

	Unrestricted funds £000	Restricted funds £000	Total 2011 £000	Total 2010 £000
Bank interest	14	-	14	6



## Notes (continued)

### 6 Funding for the Academy's educational operations

	Unrestricted funds £000	Restricted funds non fixed assets £000	Restricted fixed assets funds £000	Total 2011 £000	Total 2010 £000
<b>DfE/YPLA capital grant</b>					
Academy main building grants	-	-	54	54	279
	-	-	54	54	279
<b>DfE / YPLA revenue grants</b>					
General Annual Grant (GAG) (note 2)	-	4,594	-	4,594	5,295
Start Up Grants	-	534	-	534	806
Other DfE / YPLA grants	-	13	-	13	13
	-	5,141	-	5,141	6,114
<b>Other Government grants</b>					
School Standards	-	493	-	493	127
Special educational projects	-	79	-	79	73
Specialist Schools and Academies Trust	-	11	-	11	2
Funding via Local Authority	-	99	-	99	429
	-	682	-	682	631
	-	5,823	54	5,877	7,024

### 7 Resources expended

	Staff costs £000	No Pay Premises £000	Expenditure Other costs £000	Total 2011 £000	Total 2010 £000
<b>Academy's educational operations</b>					
Direct costs	3,827	-	446	4,273	4,038
Allocated support costs	764	823	599	2,186	2,040
	4,591	823	1,045	6,459	6,078
Governance costs including allocated support costs	-	-	32	32	18
Other finance costs	-	-	2	2	7
	4,591	823	1,079	6,493	6,103
<b>Outgoing resources for the year include</b>					
Fees payable to auditor - audit				31	15
				31	15

**Notes (continued)**

**8 Charitable activities – Academy’s educational operations**

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2010 £000
<b>Direct costs</b>				
Teaching and educational support staff costs	-	3,827	3,827	3,655
Educational supplies	-	197	197	172
Examination fees	-	80	80	88
Staff development	-	36	36	28
Educational consultancy	-	21	21	3
Other direct costs	-	112	112	92
	-	4,273	4,273	4,038
<b>Allocated support costs</b>				
Support staff costs	-	764	764	631
Depreciation	-	152	152	108
Recruitment and support	-	1	1	6
Maintenance of premises and equipment	-	94	94	112
Cleaning	-	8	8	9
Rent & rates	-	594	594	616
Heat and lighting	-	85	85	79
Insurance	-	42	42	44
Security and transport	-	6	6	9
Catering	-	92	92	80
Bank interest and charges	-	2	2	2
Other support costs	-	346	346	344
	-	2,186	2,186	2,040
	-	6,459	6,459	6,078

**9 Governance costs**

	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2010 £000
Audit of financial statements	31	-	31	15
Governors’ reimbursed expenses	1	-	1	3
	32	-	32	18

## Notes (continued)

### 10 Staff costs

Staff costs during the period were	2011	2010
	£000	£000
Wages and salaries	3,519	3,400
Social security costs	271	247
Pension costs	497	382
	<hr/>	<hr/>
	4,287	4,029
Supply teacher costs	210	72
Compensation payments	94	185
	<hr/>	<hr/>
	4,591	4,286
	<hr/>	<hr/>

The average number of persons (including senior management team) employed by the Academy during the year was as follows

	2011	2010
	No	No
Teachers	70	64
Administration and support	66	52
Management	2	2
	<hr/>	<hr/>
	138	118
	<hr/>	<hr/>

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

	2011	2010
	No.	No
£60,001 – £70,000	3	2
£120,001 – £130,000	-	1
£140,001 – £150,000	1	-
	<hr/>	<hr/>
	4	3
	<hr/>	<hr/>

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2011, pension contributions for these staff amounted to £43,933 (2010 £29,293)

### 11 Governors' remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the Academy in respect of their role as governors. The value of the Principal's remuneration was £147,625 in 2011 (2010 £86,152). The value of staff governors' remuneration was £69,620 (2010 £58,711) and £27,523 (2009 £24,171). During the year ended 31 August 2011, travel and subsistence expenses totalling £768 (2010 £2,843) were reimbursed to 1 governor (2010 1).

## Notes (continued)

### 12 Governors', trustees' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for year ended 31 August 2011 was included within the overall insurance premium.

### 13 Tangible Fixed assets

	Furniture and equipment £000s	Computer equipment and software £000s	Total £000s
<b>Cost</b>			
At 1 September	99	322	421
Additions	<u>22</u>	<u>75</u>	<u>97</u>
At 31 August	<u>121</u>	<u>397</u>	<u>518</u>
<b>Accumulated depreciation</b>			
At 1 September	(30)	(78)	(108)
Charged in period	<u>(33)</u>	<u>(119)</u>	<u>(152)</u>
At 31 August	<u>(63)</u>	<u>(197)</u>	<u>(260)</u>
<b>Net book values</b>			
At 31 August 2010	<u>69</u>	<u>244</u>	<u>313</u>
At 31 August 2011	<u>58</u>	<u>200</u>	<u>258</u>

### 14 Debtors

	2011 £000	2010 £000
<b>Amounts due within one year:</b>		
Trade debtors	86	256
VAT receivable	67	-
	<u>153</u>	<u>256</u>
<b>Amounts due after more than one year:</b>		
Permanent endowment	1,500	1,500
	<u>1,653</u>	<u>1,756</u>

### 15 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	84	2
Other taxation and social security	98	81
Accruals and deferred income	468	323
	<u>650</u>	<u>406</u>
<b>Deferred Income</b>		
Deferred Income at 1 September 2010	3	
Resources deferred in the year	24	
Amounts released from previous years	(3)	
<b>Deferred Income at 31 August 2011</b>	<u>24</u>	

Deferred income includes £12,265 capital grant, £2,660 Bursary Fund and £9,960 Pupil Premium, all received in the year but intended for use from September 2011.

## Notes (continued)

### 16 Funds

	Balance at 31 August 2010	Incoming resources	Resources expended	Gains, losses and transfers	Balance at 31 August 2011
	£000s	£000s	£000s	£000s	£000s
<b>Restricted non-fixed asset funds including pension liability</b>					
General Annual Grant (GAG)	525	5,141	(5,669)	4	1
Standards Fund	127	493	-	(101)	519
Special Grants	40	79	(18)	-	101
LEA funding	431	110	-	-	541
Donation for rent of premises	-	580	(580)	-	-
Activities for generating funds	-	11	-	-	11
Pension reserve	(261)	-	(42)	234	(69)
	<u>862</u>	<u>6,414</u>	<u>(6,309)</u>	<u>137</u>	<u>1,104</u>
<b>Restricted permanent endowment fund</b>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
<b>Restricted Fixed Asset Funds</b>					
DfE capital grants	273	54	-	-	327
Capital expenditure from GAG	145	-	(65)	97	177
Donation for transferred assets	<u>174</u>	<u>-</u>	<u>(87)</u>	<u>-</u>	<u>87</u>
	<u>592</u>	<u>54</u>	<u>(152)</u>	<u>97</u>	<u>591</u>
<b>Unrestricted Funds</b>					
Activities for generating funds	61	79	(32)	-	108
Investment income	<u>6</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>20</u>
	<u>67</u>	<u>93</u>	<u>(32)</u>	<u>-</u>	<u>128</u>

#### Notes

- (i) General Annual Grant must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the Academy, but any balance over 2% must be used for capital purposes. The amount brought forward includes £525,000 of Academy start-up funding.
- (ii) The Standards Fund must be used to boost standards of attainment within the Academy. Grant can be carried forward to the following August.
- (iii) Special grants are awarded by the DfE to boost performance within the Academy.
- (iv) LEA funding relates to funding supplied for pupils with Statements of Special Educational Need, passed on to the Academy from the authority's own funding.
- (v) The gross transfer from the restricted general fund to the restricted fixed asset fund of £96,950 (2010 £159,114) represents the total capital expenditure from the General Annual Grant (GAG) during the year.
- (vi) Restricted fixed assets were funded by government grants.

## Notes (continued)

### Funds (continued)

- (vii) The restricted permanent endowment fund is the Fulwood Academy Endowment Fund. This is a permanent endowment fund. The interest may be transferred to unrestricted funds and will be used to counter the educational impact of disadvantage and deprivation, and for educational work within the local community. This income should not be used to meet the normal running costs of the Academy. The principal amount of the investment may not be used without the express prior written consent of the Secretary of State for Education. The Academy sponsor is to pay a total of £2,000,000 into the fund. The first instalment of the sponsor's endowment, totalling £500,000, was received in prior year. Remaining payments are expected to be made by 31 August 2014.
- (viii) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted non-fixed asset fund. Staff costs are paid from this fund, including contributions to the LGPS, and the pension liability has therefore been aligned with these costs.

### 17 Analysis of net assets between funds

<i>Fund balances at 31 August 2011 are represented by</i>	Unrestricted funds	Restricted funds – non-fixed asset	Restricted fixed asset funds	Permanent endowment	Total 2011	Total 2010
	£000s	£000s	£000s	£000s	£000s	£000s
Tangible fixed assets	-	-	258	-	258	313
Current assets	128	1,823	333	2,000	4,284	3,875
Current liabilities	-	(650)	-	-	(650)	(406)
Defined benefit pension scheme liability	-	(69)	-	-	(69)	(261)
	<u>128</u>	<u>1,104</u>	<u>591</u>	<u>2,000</u>	<u>3,823</u>	<u>3,521</u>

### 18 Financial commitments

#### Operating leases

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

	2011 £000	2010 £000
<b>Other</b>		
Expiring within one year	5	9
Expiring within two and five years inclusive	2	7
Expiring in over five years	-	-
	<u>7</u>	<u>16</u>

### 19 Reconciliation of net income to net cash inflow from operating activities

	2011 £000	2010 £000
Net income	68	3,348
Depreciation (note 13)	152	108
Capital grants from DfE and other capital income	(54)	(541)
Interest receivable (note 5)	(14)	(6)
FRS 17 pension cost less contributions payable (note 24)	(103)	(113)
FRS 17 pension finance income (note 24)	145	47
Decrease/(increase) in debtors	103	(1,756)
Increase in creditors	244	406
<b>Net cash inflow from operating activities</b>	<u>541</u>	<u>1,493</u>

## Notes (continued)

### 20 Capital expenditure and financial investment:

	2011 £000	2010 £000
Purchase of tangible fixed assets	(97)	(159)
Capital grants from DfE/YPLA	54	279
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure and financial investment	(43)	120
	<hr/>	<hr/>

### 21 Analysis of changes in net funds

	At 1 September 2010 £000	Cash Flows £000	At 31 August 2011 £000
Cash in hand and at bank	2,119	512	2,631
	<hr/>	<hr/>	<hr/>

### 22 Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education 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

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 that 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 payments by the Secretary of State under the Funding Agreement

Upon termination of the Funding Agreement the Academy's pension liability is expected to transfer to any successor organisation

### 23 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 (continued)

### 24 Pension and similar obligations

The Academy's employees belong to two principal pension schemes the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Lancashire 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 There were no outstanding or prepaid contributions at either the beginning or the end of the financial year

#### Teachers' Pension Scheme (TPS)

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	3.5 per cent per annum
Salary scale increases per annum	4.5 per cent per annum
Notional value of assets at date of last valuation	£163 million
Proportion of members' accrued benefits covered by the notional value of the assets	(1.2)%

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 1 September 2010 to 31 August 2011 the employer contribution was 14.1 per cent The employee rate was 6.4% for the same period

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multiemployer pension scheme The Academy is unable to identify its share of the underlying assets and liabilities of the scheme Accordingly, the Academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme The Academy has set out above the information available on the scheme and the implications for the Academy in terms of the anticipated contribution rates

#### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds The total contribution made for the year ended 31 August 2011 was £144,000 of which employer's contributions totalled £103,000 and employees' contributions totalled £41,000 The agreed contribution rates for the period ended 31 August 2011 were 17.8% for employers, employees' rates varied according to salary



## Notes (continued)

### 24 Pension and similar obligations (continued)

#### Principal Actuarial Assumptions

	At 31 August 2011	At 31 August 2010
Rate of increase in salaries	4.7%	4.75%
Rate of increase for pensions in payment / inflation	2.7%	2.5%
Discount rate for scheme liabilities	5.3%	4.9%
Inflation assumption (CPI)	2.7%	3.0%
Commutation of pensions to lump sums	0.0%	0.0%

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	At 31 August 2010
<i>Retiring today</i>		
Males	21.6	21.2
Females	24.2	24.1
<i>Retiring in 20 years</i>		
Males	23.0	22.2
Females	25.8	25.0

The Academy'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	Expected return at 31 August 2010	Fair value at 31 August 2010
Equities	7.0%	947	7.0%	729
Bonds	3.7%	290	3.7%	279
Property	6.0%	137	6.0%	97
Cash	0.5%	46	0.5%	36
Other	7.0%	107	7.0%	73
		1,527		1,214
<b>Total market value of assets</b>				
Present value of scheme liabilities				
- Funded		(1,596)		(1,475)
<b>Deficit in the scheme</b>		(69)		(261)

The expected long term return on cash is equal to bank base rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The actual return on the scheme assets in the period was £77,000 (2010: £100,000)

## Notes (continued)

### 24 Pension and similar obligations (continued)

Amounts recognised in the statement of financial activities

	2011 £000	2010 £000
Past service cost	-	(95)
Current service cost	143	135
Interest cost	2	7
<b>Total operating charge</b>	<b>145</b>	<b>47</b>
<b>Analysis of pension finance (income)/costs</b>		
Expected return on pension scheme assets	(75)	(66)
Interest on pension liabilities	77	73
<b>Pension finance (income)/costs</b>	<b>2</b>	<b>7</b>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £93,000 loss (2010 £327,000 loss).

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

	2011 £000	2010 £000
<b>At 1 September</b>	<b>1,475</b>	<b>1,214</b>
Current service cost	143	135
Interest cost	77	73
Employee contributions	41	40
Actuarial (gain)/loss	(140)	108
Benefits paid	-	-
Past service cost	-	(95)
<b>At 31 August</b>	<b>1,596</b>	<b>1,475</b>

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

	2011 £000	2010 £000
<b>At 1 September</b>	<b>1,214</b>	<b>961</b>
Expected return on assets	75	66
Actuarial gain	94	34
Employer contributions	103	113
Employee contributions	41	40
Benefits paid	-	-
<b>At 31 August</b>	<b>1,527</b>	<b>1,214</b>

The estimated value of employer contributions for the year ended 31 August 2012 is £74,000

## Notes (continued)

### 24 Pension and similar obligations (continued)

The five-year history of experience adjustments is as follows

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligations	1,596	1,475	-	-	-
Fair value of share of scheme assets	1,527	1,214	-	-	-
Deficit in the scheme	69	261	-	-	-
Experience adjustments on share of scheme assets Amount £000	94	34	-	-	-
Experience adjustments on scheme liabilities Amount £000	(28)	-	-	-	-

### 25 Related Party Transactions

The remuneration of the trustees, who are the key management personnel of the Academy is disclosed in note 11

The Academy's non-trustee governors made no claims during the period for travel expenses to attend meetings. During the period three governors received a salary and benefits in kind totalling £244,469. The Academy paid Havelock Academy for the services of its Finance Director, totalling £43,187 in the year. The trustees consider this an arms length transaction that was at cost, so Havelock Academy did not profit from this arrangement.