
Fulwood Academy (A Company Limited by Guarantee)
Annual Report and Financial Statements
60 Week Period Ended 31 August 2010



Registered Number 6960253
Charity Registration Number 1134299

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Fulwood Academy (A Company Limited by Guarantee)

Report of the Trustees 31 August 2010

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

Chair

Teacher governor

Non-teacher staff governor

Parent governor

Local authority governor

Principal

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

Registered Charity Number

1134299

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

The trustees present their report together with the financial statements of the charitable company for the 60 week period ended 31 August 2010

The financial statements have been prepared in accordance with the accounting policies on pages 16 to 19 of this document, and comply with the charitable company's memorandum and articles of association, the Companies Act 2006, and the requirements of the Statements of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005 ('SORP 2005') The trustees' annual report and financial statements incorporate the results of Fulwood Academy (the "Academy") including the Fulwood Academy Endowment Fund ("the Endowment Fund") The trustees consider that the Academy has adequate resources to continue in business for the foreseeable future and that, for this reason, it should continue to adopt the going concern basis in preparing the financial statements

Structure, Governance and Management

Constitution

The Academy is a company limited by guarantee with no share capital (registration no 6960253) and a registered charity (registration no 1134299) 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 The Academy has entered into a funding agreement with the Department for Education, which provides the framework within which the Academy must operate The Fulwood Endowment Fund has been established in accordance with a deed of gift and declaration of trust, agreed between the Academy, the Charles Dunstone Charitable Trust, and the Department for Education

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

Governance

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 trustees and governors exercise their powers and functions with a view to fulfilling a largely strategic role in the running of the school 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 Children, Schools and Families may appoint trustees in exceptional circumstances No trustees were co-opted nor were appointments made by the Secretary of State in 2009/2010 Trustees may be removed by the person or persons who appointed them

The trustees and governors who were in office at 31 August 2010 and served throughout the period, are listed on page 1

During the period under review the governors held two meetings. The trustees met on two occasions. During the period the trustees and governing body attended a full day training session in order to refresh their skills and knowledge. The session covered the Academy vision, behavioural and pastoral strategies, the new sixth form, and the curriculum. 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. A Finance and General Purposes Committee examines finance and other issues in detail.

Organisational Structure

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, three Vice Principals, the Academy Manager, the head of 6th Form, the head of SEN, and the head of IT. 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 Managers are responsible for the authorisation of spending within agreed budgets and the appointment of staff. The Principal authorises all orders within the Academy.

Permanent Endowment Fund

The Academy maintains the Fulwood Academy Endowment Fund (charity registration number 1135467). 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 first payment of £500,000 was due, and was paid, within six months of the Academy opening. The remaining £1,500,000 is due to be paid before 31 August 2014. 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.

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 and this is explained in more detail in the following statement.

Statement on the system of internal finance control

As trustees, we acknowledge we have overall responsibility for ensuring that Fulwood Academy has an effective and appropriate system of control, financial and otherwise. We are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Academy and enable us to ensure the financial statements comply with the Companies Act. We also acknowledge responsibility for safeguarding the assets of the Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurances that

- The Academy is operating efficiently and effectively
- Its assets are safeguarded against unauthorised use or disposition
- The proper records are maintained and financial information used within the Academy or for publication is reliable
- The Academy complies with relevant laws and regulations

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 of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- Setting targets to measure financial and other performance
- Clearly defined purchasing (asset purchase or capital investment) guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

The governors 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 the governing body at each meeting on the operation of the systems of control and on the discharge of the governing body's financial responsibilities. The governors have considered the need for a specific internal audit function and have decided not to appoint an internal auditor.

These arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Objectives and Activities

Objects, Aims and Objectives

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

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 2010 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

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

Human Equalities Policy

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

Disabled Persons

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

Review of the significant activities undertaken by the charity during the relevant financial period to further its charitable purposes for the public benefit

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

2009/2010 was the first academic year of the Academy. Total students in the period ended 31 August 2010 numbered 1,008.

Although the Academy's students and staff worked well together in their first year, GCSE results were disappointing, with 29% of students achieving five GCSEs at grades A-C including Mathematics and English against an expected attainment of 45%. Performance has been extensively reviewed by the management team and by Governors and Trustees, with a view to learning lessons for the years to come.

The Academy's extra-curricular programme developed during the period, and planning commenced on opening the Academy's sixth form from September 2011.

Financial Review

Financial report for the period

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 2010 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 fund 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 period ended 31 August 2010, total expenditure of £6,103,000 was less than recurrent grant funding from the DfE together with other incoming resources. The excess of income over expenditure for the period (including the permanent endowment received of £2,000,000) was £3,848,000.

At 31 August 2010 the net book value of fixed assets was £313,000 and movements in tangible fixed assets are shown in note 17 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 £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 inherited a number of assets from the predecessor school. These have been treated as a donation in the accounts and their estimated value of £261,815 will be written down over three years. The Academy premises are leased for a peppercorn from Lancashire County Council and a notional annual rental of £580,000 is included in the accounts. The Academy also inherited a pension liability of £253,000 in respect of its non-teaching staff.

Reserves Policy and Financial Position

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 £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.

Investments 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.

Financial Position

The Academy held fund balances at 31 August 2010 of £3,521,000, comprising £1,715,000 of restricted funds, a permanent endowment of £2,000,000, a pension reserve deficit of £261,000, and £67,000 of unrestricted general funds

Payments to Suppliers

It is the policy of the Academy to agree terms of payment with their suppliers when the order for goods and services is placed and to adhere to these arrangements when making payment

Plans for Future Years

In setting our objectives and planning our activities the Governors 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 2010/2011 will shortly be agreed by its trustees and are expected to build on the Academy's successes in raising student attainment and improving behaviour, and facilitating increased participation in extra-curricular activities

Disclosure of Information to Auditors

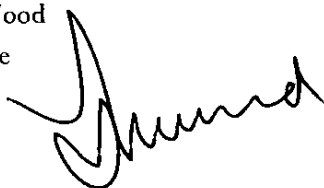
The trustees who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each trustee has taken all the steps that he ought to have taken as a trustee to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

KPMG LLP were appointed as the auditors on 1 September 2009. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

The annual report of the trustees was approved by the board of trustees on 16 December 2010 and was signed on its behalf by

FW Wood
Trustee



STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the trustees to prepare financial statements for each financial period in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 the excess of income over expenditure for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 group and the charitable company will continue its activities

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities

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 UK 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

Independent auditors' report to the members of Fulwood Academy Limited

We have audited the financial statements of Fulwood Academy Limited for the 60 week period ended 31 August 2010 set out on pages 12 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and 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 trustees and auditors

The trustees' (who are also the directors of the Academy for the purposes of company law), responsibilities for preparing the Annual report and financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with UK Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006 and with the Financial Reporting and Annual Accounts Requirements issued by the Department for Education in respect of the relevant financial period. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Academy has not kept adequate accounting records, if the Academy's financial statements are not in agreement with the accounting records and returns, if grants made by the Department for Education have not been applied for the purposes intended, if we have not received all the information and explanations we require for our audit, or if or if certain disclosures of Trustees' remuneration and transactions specified by law are not made.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for

our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

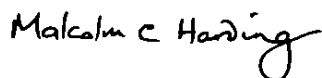
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- a) the financial statements give a true and fair view of the state of the Academy's affairs at 31 August 2010, and of its incoming resources and application of resources, including its income and expenditure, for the 60 week period then ended,
- b) the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- c) the financial statements have been prepared in accordance with the Companies Act 2006,
- d) the financial statements have been prepared in accordance with the Financial Reporting and Annual Accounts Requirements issued by the Department for Education in respect of the relevant financial period, and
- e) the information given in the Trustees' Report is consistent with the financial statements.



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

16 December 2010

FULWOOD ACADEMY
STATEMENT OF FINANCIAL ACTIVITIES
For the 60 week period ended 31 August 2010

| | | Unrestricted Funds | Restricted Funds – Non- Fixed Assets | Restricted Fixed Asset Funds | Fulwood Academy Endowment Fund | Total 2010 |
|--|------|-----------------------|--|------------------------------------|---|----------------|
| | Note | £000 | £000 | £000 | £000 | £000 |
| Incoming Resources | | | | | | |
| Incoming resources from generated funds | | | | | | |
| Voluntary income | 3 | - | 580 | 262 | 2,000 | 2,842 |
| Activities for generating funds | 4 | 79 | - | - | - | 79 |
| Incoming resources from charitable activities | | | | | | |
| Investment income | 5 | 6 | - | - | - | 6 |
| Funding for the Academy's educational operations | 6 | - | 6,745 | 279 | - | 7,024 |
| Total incoming resources | | 85 | 7,325 | 541 | 2,000 | 9,951 |
| Resources expended | | | | | | |
| Charitable activities | | | | | | |
| Academy's educational operations | 8 | - | (5,970) | (108) | - | (6,078) |
| Other finance costs | 12 | - | (7) | - | - | (7) |
| Governance costs | 9 | (18) | - | - | - | (18) |
| Total resources expended | 7 | (18) | (5,977) | (108) | - | (6,103) |
| Net incoming resources before transfers | | 67 | 1,348 | 433 | 2,000 | 3,848 |
| Gross transfers between funds | 13 | - | (159) | 159 | - | - |
| Net incoming resources before other recognised gains and losses | | 67 | 1,189 | 592 | 2,000 | 3,848 |
| Actuarial loss on defined pension benefit scheme | 25 | - | (74) | - | - | (74) |
| Net incoming resources after other recognised gains and losses | | 67 | 1,115 | 592 | 2,000 | 3,774 |
| Funds on incorporation | | - | - | - | - | - |
| Pension deficit inherited from Lancashire County Council | 2 | - | (253) | - | - | (253) |
| Funds carried forward at 31 August 2010 | | 67 | 862 | 592 | 2,000 | 3,521 |

The Academy was incorporated on 13 July 2009 and commenced academic activity on 1 September 2009

The results are wholly derived from the continuing operations of the Academy

The notes on pages 16 to 32 form part of the financial statements

FULWOOD ACADEMY
INCOME AND EXPENDITURE ACCOUNT
For the 60 week period ended 31 August 2010

| | | Period ended 31 August 2010 £000s |
|--|------|--------------------------------------|
| | Note | |
| Income | | |
| General Annual Grant (GAG) and start up grants | 6 | 6,114 |
| DfE capital grants | 6 | 279 |
| Other DfE grants | 6 | 431 |
| Other Government grants | 6 | 200 |
| Private sponsorship and donations | 3 | 842 |
| Permanent endowment | 3 | 2,000 |
| Bank interest | 5 | 6 |
| Other income | 4 | 79 |
| Total income | | <u>9,951</u> |
| Expenditure | | |
| General Annual Grant (GAG) related expenditure | | (5,877) |
| Other DfE grant expenditure | | (100) |
| Depreciation | 17 | (108) |
| Other expenditure | | (18) |
| Total expenditure | 7 | <u>(6,103)</u> |
| Excess of income over expenditure | | <u>3,848</u> |

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 60 week period ended 31 August 2010

| | | Period ended 31 August 2010 £000s |
|---|----|--------------------------------------|
| Excess of income over expenditure | | 3,848 |
| Actuarial losses on defined benefit pension scheme | 25 | (74) |
| Pension deficit recognised from LA on incorporation | 2 | (253) |
| Total recognised gains and losses for the period | | <u>3,521</u> |
| Net movement to funds | | |
| Restricted funds – permanent endowment | | 2,000 |
| Restricted funds – fixed assets | | 592 |
| Unrestricted funds | | 67 |
| Restricted funds – non-fixed assets | | 1,123 |
| Pensions deficit | | (261) |
| | | <u>3,521</u> |

The Academy was incorporated on 13 July 2009 and commenced academic activity on 1 September 2009

The income and expenditure account and statement of total recognised gains and losses are derived from the statement of financial activities on page 12 which, together with the notes to the financial statements on pages 16 to 32 provides full information on the movements during the period on all the funds of the Academy

All of the Academy's activities are derived from continuing operations during the above financial period

FULWOOD ACADEMY
BALANCE SHEET AT 31 August 2010

| | Note | 2010 £000s |
|---|------|---------------|
| Fixed assets | | |
| Tangible assets | 17 | <u>313</u> |
| | | <u>313</u> |
| Current assets | | |
| Debtors (includes £1.5m due after more than one year) | 19 | 1,756 |
| Cash at bank and in hand | | <u>2,119</u> |
| | | <u>3,875</u> |
| Current liabilities | | |
| Creditors: Amounts falling due within one period | 20 | <u>(406)</u> |
| Net current assets | | <u>3,469</u> |
| Total assets less current liabilities | | <u>3,782</u> |
| Net assets excluding defined benefit pension scheme liability | | 3,782 |
| Defined benefit pension scheme liability | 25 | <u>(261)</u> |
| Net assets including defined benefit pension scheme liability | | <u>3,521</u> |
| Funds | | |
| Restricted funds | | |
| Permanent endowment | 21 | 2,000 |
| Restricted fixed asset fund | 21 | 592 |
| Restricted non-fixed asset fund – before defined benefit pension scheme liability | 21 | 1,123 |
| Defined benefit pension scheme liability | 21 | <u>(261)</u> |
| Restricted non-fixed asset fund – after defined benefit pension scheme liability | | <u>862</u> |
| Unrestricted funds | | |
| Unrestricted fund | 21 | <u>67</u> |
| Total unrestricted funds | | <u>67</u> |
| | | <u>3,521</u> |

The financial statements were approved by the Board of Trustees on 16 December 2010 and were signed on its behalf by

FW Wood
Trustee



FULWOOD ACADEMY

CASH FLOW STATEMENT For the 60 week period ended 31 August 2010

| | Period ended 31 August 2010 £000s |
|---|---|
| Operating activities | |
| RECEIPTS | |
| Recurrent grants received from the DfE | |
| General Annual Grant (GAG) | 6,114 |
| Other grants | 127 |
| Other receipts from the DfE | 73 |
| Other receipts from Government | 352 |
| Other receipts | <u>79</u> |
| | <u>6,745</u> |
| PAYMENTS | |
| Staff costs | (4,278) |
| Other cash payments | <u>(805)</u> |
| | <u>(5,083)</u> |
| Net cash inflow from operating activities | <u>1,662</u> |
| Returns on investments and servicing of finance | |
| Interest received | <u>6</u> |
| | <u>6</u> |
| Capital income and expenditure | |
| Capital grants from DfE | 103 |
| Capital expenditure | <u>(152)</u> |
| | <u>(49)</u> |
| Increase in cash | <u>1,619</u> |
| Management of liquid resources and financing | |
| Permanent endowment funds receipt | <u>500</u> |
| Net increase in cash | <u>2,119</u> |
| Reconciliation of net cash flow to movement in net funds | <u>2,119</u> |
| Increase in cash | 2,119 |
| Change in net funds | 2,119 |
| Net funds on incorporation | <u>-</u> |
| Net funds at end of period | <u>2,119</u> |

NOTE TO THE CASHFLOW STATEMENT

For the 60 week period ended 31 August 2010

| 1 | Analysis of changes in net funds | On incorporation | Cash Flow | At 31 August 2010 |
|---|----------------------------------|------------------|--------------|-------------------|
| | | £000s | £000s | £000s |
| | Cash in hand and at bank | - | 1,619 | 1,619 |
| | Endowment cash at bank | <u>-</u> | <u>500</u> | <u>500</u> |
| | | <u>-</u> | <u>2,119</u> | <u>2,119</u> |

FULWOOD ACADEMY

NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010

Fulwood Academy Principal Accounting Policies

Format of financial statements

The standard format for the financial statements as required by the Companies Act 2006 schedule 4 part I has been adapted to provide more appropriate information which complies with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 ('Charities SORP 2005') and reflects the activities of the Academy

Basis of accounting

The financial statements are prepared under the historic cost convention and in accordance with applicable accounting standards and the Charities SORP 2005

These financial statements aggregate the results of the Academy and its wholly owned permanent endowment fund on a line by line basis

The trustees have considered the start-up funding, forecast student numbers and ongoing income and expenditure in their business plan. Based on this review the trustees have a reasonable expectation that the Academy has adequate resources to continue for the foreseeable future

Incoming resources

Income represents the amounts (excluding value added tax) derived from grants, sponsorship and donations. The following accounting policies are applied to income

Funding for the Academy's educational operations

The Academy's educational operations are funded by a range of grants, that are included in the statement of financial activities on a receivable basis provided that any conditions attached to the donation of the grant have been fulfilled. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet

Voluntary 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

The Academy's sponsor, the Charles Dunstone Charitable Trust, is committed to paying a total of £2 million as a permanent endowment for the Academy. This endowment is to be paid over a five year period in accordance with a schedule of payments agreed with the Department for Education. A debtor has been established on the balance sheet for the endowment, which will be reduced as payments are made by the Trust

Donations

Donations are included in the statement of financial activities on a cash received basis or on an accruals basis where they are assured with reasonable certainty and are receivable at the balance sheet date

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Academy is recognised in the statement of financial activities at their estimated value to the Academy in the period in which they are receivable, and where the benefit is both quantifiable and material. Where the actual cost of the donated service or gift in kind can be ascertained, this is used as the value in the accounts. Where values have to be estimated they are calculated using the most appropriate proxy measure

Activities for generating funds

The Academy receives income from letting out its sports hall, and main hall. The sports hall is let to Preston City Council under a dual use agreement for the hall. This agreement is set to end on 31 March 2011. The main hall is let to private organisations outside school time. This income is accounted for on a receivable basis.

Investment income – interest receivable

Interest receivable is included within the statement of financial activities on a receivable basis.

Resources expended

Resources expended are recognised in the period in which they are incurred and include irrecoverable VAT. They have been classified under headings that aggregate all costs relating to that activity. All stocks are expensed as perishable.

Allocation of costs and transfers

In accordance with the Charities SORP, expenditure has been analysed between the cost of generating funds, the Academy's charitable activities and governance. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned. Central staff costs are allocated on the basis of time spent on each activity and depreciation charges on the basis of the proportion of the assets' use which is utilised by each activity.

Governance costs

Governance costs include the direct costs attributable to the Academy's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses.

Fund accounting

General funds represent those resources which may be used towards meeting any of the objects of the Academy at the discretion of the governors. Restricted funds comprise grants from the DfE and other donors which are to be used for specific purposes as explained in note 21.

The Academy also administers the Fulwood Academy Endowment Fund (charity registration number 1135467). The Fund was created to hold the permanent 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 unrestricted 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.

Tangible fixed assets

Tangible fixed assets acquired since the Academy was established are included in the accounts at cost. 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). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Assets costing less than £1,000 are written off in the period of acquisition. All other assets are capitalised.

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 will begin 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 January 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 will be depreciated over a three year period, which aligns with the timeframe for the new-build project.

Depreciation

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Furniture and equipment 10 - 20%

Computer equipment and software 33%

All individual assets with a cost of less than £1,000 are written down in the period they are purchased.

The Academy inherited a number of assets from the predecessor school, for which no payment was made. These were valued at £261,815 and will be depreciated over three years commencing in 2009/2010. A notional donation of £261,815 will be written down simultaneously to fund this.

Investments

The Academy made no investments during its first accounting period.

Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

The Academy's buildings are currently leased from Lancashire County Council for a three year period on a peppercorn rent. The accounts show a notional rental of £580,000 based on building valuations compiled by the Valuation Office Agency, to reflect the fair value of the buildings, funded by a notional donation of the same amount. Upon completion of the new Academy premises during 2011/2012, the Academy will enter into a lease of 125 years with the Council, and the value of the premises will be reflected in the balance sheet and depreciated over time.

Taxation

The academy is a registered charity and as such is a charity within the meaning of Section 506 (1) Taxes Act 1988, accordingly the academy is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 Taxes Act 1988 or Section 256 Taxation of Capital Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The cost of irrecoverable VAT incurred by the Academy has been included in the statement of financial activities.

Pensions

Academy staff are members of one of two defined benefit schemes. More details of the schemes are given in note 25.

Defined Benefit Schemes

Teachers' Pension Scheme

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). The TPS, a statutory, contributory, final salary scheme is administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools, and Families. As the Academy is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, the Academy has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the Academy in the accounting period.

Local Government Pension Scheme

Non-teaching members of staff are offered membership of the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit pension scheme and is able to identify the Academy's share of assets and liabilities and the requirements of FRS 17, Retirement Benefits, have been followed.

The Academy's share of the LGPS assets are measured at fair value at each balance sheet date.

Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

The deficit associated with the LGPS is presented within restricted funds to align the presentation with all income and expenditure related to the employees in the LGPS. The Academy has been presented with a memorandum of understanding from the DfE that should the Academy ever revert back to local government control then the pension deficit would also revert back to the local authority for future settlement.

FULWOOD ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE 60 WEEK PERIOD ENDED 31 AUGUST 2010

60 week period ended 31 August 2010

1 GENERAL ANNUAL GRANT (GAG)

Results and Carry Forward for the Period

| | |
|--|--------------|
| GAG allocation for current period | 5,295 |
| Total GAG available to spend | 5,295 |
| Recurrent expenditure from GAG | 5,281 |
| Fixed assets purchased from GAG | 14 |
| Total expenditure from GAG | - |
| GAG carried forward to next period | - |
| Maximum permitted GAG carry forward at end of current period (12% of allocation for current period) | 635 |
| GAG to surrender to DfE | - |
| (12% rule breached if result is positive) | No breach |

2 ACQUISITION

The Academy inherited the premises and contents of the predecessor school on 1 September 2009. The land and buildings are held on a three year lease from Lancashire County Council, with a rental of one peppercorn a year to be paid. The accounts show a notional rental of £579,810 for the buildings based on building valuations compiled by the Valuation Office Agency. Construction of a new building is to begin during 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 sports hall and main 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 time.

The contents of the predecessor school were principally school furniture, office equipment and gallery display equipment, the majority of which were old. Assets totalling £261,815 (with an individual estimated value of over £1,000) were capitalised on 1 September 2009 and have been depreciated over a three year period.

All staff from the predecessor school transferred to the Academy when it opened. A pensions deficit of £253,000 transferred at the same time in respect of the non-teaching staff.

3 VOLUNTARY INCOME

60 week period ended 31 August 2010

| | |
|---|--------------|
| | £000s |
| Academy fixed assets – gift in kind donation from LEA | 262 |
| Academy premises – gift in kind donation from LEA | 580 |
| Permanent endowment (see note 18) | 2,000 |
| | 2,842 |

4 ACTIVITIES FOR GENERATING FUNDS

60 week period ended 31 August 2010

| | |
|--------------------|-----------|
| | £000s |
| Hire of facilities | 34 |
| Sundry income | 45 |
| | 79 |

5 INVESTMENT INCOME

60 week period ended 31 August 2010

| | |
|---------------|-------|
| | £000s |
| Bank interest | 6 |

6 FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

60 week period ended 31 August 2010

| | £000s |
|---|--------------|
| Department for Children Schools and Families | |
| General Annual Grant (GAG) | 5,295 |
| Startup A | 281 |
| Startup B | 525 |
| School meals | <u>13</u> |
| Total GAG | <u>6,114</u> |
| Special grants – revenue | 73 |
| Standards Fund | <u>127</u> |
| | <u>6,314</u> |
| Other Government grants | |
| Specialist Schools and Academies Trust | 2 |
| Funding via LEA | <u>429</u> |
| | <u>431</u> |
| Total funding for the Academy's educational operations – non-fixed assets | <u>6,745</u> |
| Capital grants | <u>279</u> |
| Total funding for the Academy's educational operations – fixed assets | <u>279</u> |

| 7 RESOURCES EXPENDED | Staff costs | Depreciation | Other costs | Total |
|--|--------------|--------------|--------------|--------------|
| 60 week period ended 31 August 2010 | £000s | £000s | £000s | 2010 |
| | | | | £000s |
| Academy's educational operations | | | | |
| Direct costs | 3,655 | - | 383 | 4,038 |
| Allocated support costs | 631 | 108 | 1,301 | 2,040 |
| Governance costs including allocated support costs | - | - | 18 | 18 |
| Other finance costs | <u>-</u> | <u>-</u> | <u>7</u> | <u>7</u> |
| Total resources expended | <u>4,286</u> | <u>108</u> | <u>1,709</u> | <u>6,103</u> |

All support costs in 2009/2010 were judged to be in support of the Academy's educational operations

| | | |
|-----------|--|-------------------------------------|
| 8 | CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS | 60 week period ended 31 August 2010 |
| | | £000s |
| | DIRECT COSTS | |
| | Teaching and educational support staff costs | 3,655 |
| | Educational supplies | 172 |
| | Examination fees | 88 |
| | Staff development | 28 |
| | Educational consultancy | 3 |
| | Other direct costs | <u>92</u> |
| | | 4,038 |
| | ALLOCATED SUPPORT COSTS | |
| | Support staff costs | 631 |
| | Depreciation | 108 |
| | Pupil recruitment and support | 6 |
| | Maintenance of premises and equipment | 112 |
| | Cleaning | 9 |
| | Rent and rates | 616 |
| | Heat and light | 79 |
| | Insurance | 44 |
| | Transport | 9 |
| | Catering | 80 |
| | Technology costs | 127 |
| | Other support costs | <u>219</u> |
| | | 2,040 |
| | | 6,078 |
| 9 | GOVERNANCE COSTS | 60 week period ended 31 August 2010 |
| | | £000s |
| | Governors' and Trustees' Expenses | 3 |
| | Audit fees | <u>15</u> |
| | | 18 |
| 10 | SURPLUS ON ORDINARY ACTIVITIES IS STATED AFTER CHARGING: | 60 week period ended 31 August 2010 |
| | | £000s |
| | Auditors remuneration | |
| | - audit fees | 15 |
| | Depreciation and other amounts written off tangible fixed assets - owned | 108 |
| | Amounts payable under operating leases | 11 |

11 STAFF COSTS

The average number of persons (including senior management team) employed by the Academy during the 60 week period ended 31 August 2010 was as follows

60 week period ended 31 August 2010

| | No |
|------------------------------|------------|
| Charitable Activities | |
| Teachers | 64 |
| Administration and support | 52 |
| Management | <u>2</u> |
| | <u>118</u> |

Staff costs comprise 60 week period ended 31 August 2010

| | £000s |
|-----------------------|--------------|
| Wages and salaries | 3,657 |
| Social security costs | 247 |
| Other pension costs | <u>382</u> |
| | <u>4,286</u> |

Three employees earned more than £60,000 per annum (including taxable benefits but excluding employers' pension contributions) during the 60 week period ended 31 August 2010. The total emoluments of these employees were in the following ranges

| | 2010 No. |
|---------------------|----------|
| £60,001 - £70,000 | 2 |
| £120,001 - £130,000 | 1 |

All of the above employees earning more than £60,000 per annum participated in the Teachers' Pension Scheme. During the 60 week period ended 31 August 2010, cash pension contributions for these staff amounted to £29,293

12 OTHER FINANCE COSTS

60 week period ended 31
August 2010

| | £000s |
|--|-------------|
| Expected return on pension scheme assets (see note 25) | 66 |
| Interest on pension scheme liabilities (see note 25) | <u>(73)</u> |
| | <u>(7)</u> |

13 GROSS TRANSFERS BETWEEN FUNDS

Transfers between funds on the Statement of Financial Activities relate to capital expenditure funded from revenue (transferred to Fixed Asset Funds)

14 TRUSTEES' REMUNERATION AND EXPENSES

The trustees of the Academy received a total of £2,843 from the Academy during the 60 week period ended 31 August 2010, for travel expenses to attend trustee and governors' meetings

15 RELATED PARTY TRANSACTIONS

The remuneration of the trustees, who are the key management personnel of the Academy is disclosed in note 14

The Academy's non-trustee governors made no claims during the period for travel expenses to attend meetings. During the period one governor received a salary and benefits in kind totalling £88,667

The Academy paid Havelock Academy for the services of its Finance Director, totalling £49,555 in the year. The trustees consider this an arms length transaction that was at cost, so Havelock Academy did not profit from this arrangement. For the first term of the Academy's year the Academy paid Lancashire County Council for an interim Principal, totalling £30,000

16 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. The cost for the 60 week period ended 31 August 2010 was included within the overall insurance premium

17 TANGIBLE FIXED ASSETS

| Group and academy | Furniture and equipment £000s | Computer equipment and software £000s | Total 2010 £000s |
|---------------------------------------|-------------------------------------|---|------------------------|
| Cost | | | |
| On incorporation | - | - | - |
| Assets inherited from local authority | 87 | 175 | 262 |
| Additions | <u>7</u> | <u>152</u> | <u>159</u> |
| At 31 August | <u>94</u> | <u>327</u> | <u>421</u> |
| Accumulated depreciation | | | |
| On incorporation | - | - | - |
| Charged in period | <u>(29)</u> | <u>(79)</u> | <u>(108)</u> |
| At 31 August | <u>(29)</u> | <u>(79)</u> | <u>(108)</u> |
| Net book values | | | |
| At 31 August 2010 | <u>65</u> | <u>248</u> | <u>313</u> |

All of the tangible fixed assets are used for educational provision

17 TANGIBLE FIXED ASSETS (continued)**Source of funding for assets acquired (cumulative to date)**

| | 2010 |
|---|-------------------|
| | £000s |
| DfE capital grants | 58 |
| General purpose fund (grant income) | 101 |
| Donations and inherited assets from Lancashire County Council | <u>262</u> |
| Cost of fixed assets at 31 August 2010 | 421 |
| Less Accumulated depreciation | <u>(108)</u> |
| Net book value of fixed assets at 31 August 2010 | <u>313</u> |

18 PERMANENT ENDOWMENT

The Academy administers the Fulwood Academy Endowment Fund. This is a permanent endowment that is scheduled to increase to £2 million over a five year period, through a series of donations from the Charles Dunstone Charitable Trust.

| Analysis of permanent endowment fund | 2010 |
|---|--------------|
| | £000s |
| Cash at bank | 500 |
| Debtor (due by August 2014) | <u>1,500</u> |
| | <u>2,000</u> |

19 DEBTORS

| | 2010 |
|--------------------------------|--------------|
| | £000s |
| Permanent endowment receivable | 1,500 |
| Sundry debtors | <u>256</u> |
| | <u>1,756</u> |

20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2010 |
|------------------------------|------------|
| | £000s |
| Taxation and Social Security | 81 |
| Sundry creditors | 2 |
| Deferred income | 3 |
| Accruals | <u>320</u> |
| | <u>406</u> |

21 FUNDS

The income funds of the Academy comprise the following balances to be applied for specific purposes

| | Balance on incorporation | Inherited from local authority | Incoming resources | Resources expended | Gains, losses and transfers | Balance at 31 August 2010 |
|---|-----------------------------|--------------------------------------|-----------------------|-----------------------|-----------------------------------|---------------------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Restricted non-fixed asset funds including defined benefit pension liability | | | | | | |
| General Annual Grant (GAG) | - | - | 6,114 | (5,430) | (159) | 525 |
| Standards Fund | - | - | 127 | - | - | 127 |
| Special Grants | - | - | 73 | (33) | - | 40 |
| LEA funding | - | - | 431 | - | - | 431 |
| Donation for rent of premises | - | - | 580 | (580) | - | - |
| Defined benefit pension liability (see note 25) | - | (253) | - | 66 | (74) | (261) |
| | - | (253) | 7,325 | (5,977) | (233) | 862 |
| Restricted permanent endowment fund | - | - | 2,000 | - | - | 2,000 |
| Restricted Fixed Asset Funds | | | | | | |
| DfE capital grants | - | - | 279 | (6) | - | 273 |
| Capital expenditure from GAG | - | - | - | (14) | 159 | 145 |
| Donation for transferred assets | - | 262 | - | (88) | - | 174 |
| | - | 262 | 279 | (108) | 159 | 592 |
| Unrestricted Funds | | | | | | |
| Activities for generating funds | - | - | 79 | (18) | - | 61 |
| Investment income | - | - | 6 | - | - | 6 |
| | - | - | 85 | (18) | - | 67 |

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.
- (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 SSAT (Specialist Schools and Academies Trust) contributed to training costs in 2009/2010.
- (vi) The gross transfer from the restricted general fund to the restricted fixed asset fund of £159,114 represents the total capital expenditure from the General Annual Grant (GAG) during the period.
- (vii) Restricted fixed assets were funded by government grants.

21 FUNDS (continued)

- (viii) 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, has been received on time. Remaining payments are expected to be made by 31 August 2014.
- (ix) 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.

22 ANALYSIS OF NET ASSETS BETWEEN FUNDS

| Fund balances at 31 August 2010 are represented by | Unrestricted funds | Restricted funds – non-fixed asset | Restricted fixed asset funds | Permanent endowment | Total 2010 |
|--|--------------------|------------------------------------|------------------------------|---------------------|--------------|
| | £000s | £000s | £000s | £000s | £000s |
| Tangible fixed assets | - | - | 313 | - | 313 |
| Current assets | 67 | 1,529 | 279 | 2,000 | 3,875 |
| Current liabilities | - | (406) | - | - | (406) |
| Defined benefit pension scheme liability | - | (261) | - | - | (261) |
| | <u>67</u> | <u>862</u> | <u>592</u> | <u>2,000</u> | <u>3,521</u> |

23 COMMITMENTS

Operating leases

At 31 August 2010 the Academy had annual commitments under non-cancellable operating leases as follows

Operating leases which expire
Within two to five years

11

The Academy had no capital commitments at the end of the period

24 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 Children Schools and Families 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.

24 CONTINGENT LIABILITIES (continued)

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

25 PENSION COMMITMENTS

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

The total pension cost to the Academy during the 60 week period ended 31 August 2010 was £381,676 of which £339,560 relates to the TPS, and £42,116 relates to LGPS

Teachers Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or a change of contract Teachers and lecturers are able to opt out of the TPS As the Academy is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, the Academy has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme The pension costs for the scheme represent the contributions payable by the Academy in the period

THE TEACHERS' PENSION ACCOUNT

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases) From 1 April 2001, the Account will be credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return

25 PENSION COMMITMENTS (continued)

VALUATION OF THE TEACHERS' PENSION SCHEME

Not less than every four years, with a supporting interim valuation in between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the year 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution rate has been 19.75% plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years), a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost sharing agreement has also introduced – effective for the first time with effect from the 2008 valuation - a 14% cap on employer contributions payable.

A copy of the GA's 2004 valuation report and 2006 interim valuation report can be found on the TeacherNet website at www.teachernet.gov.uk/pensions

The pension cost charged in the financial statements for this scheme for the 60 week period ended 31 August 2010 was £339,560 which were the contributions due for the period.

25 PENSION COMMITMENTS (continued)

Local Government Pension Scheme

The Academy is one of several employing bodies included within the Local Government Pension Scheme (LGPS), which provides pension benefits based on final pensionable salary. 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 last full actuarial valuation was carried out on 31 March 2007 and was updated for FRS 17 purposes by a qualified independent actuary.

The total contribution made for the 60 week period ended 31 August 2010 was £153,000 of which employer's contributions totalled £113,000 and employees' contributions totalled £40,000. The agreed contribution rates for the 60 week period ended 31 August 2010 were 17.8% for employers, employees' rates varied according to salary.

The major assumptions used by the actuary in this valuation were

| | At 31 August 2010 |
|---|-------------------|
| Inflation | 3.0% |
| Salary increases | 4.75% |
| Rate of discount | 4.9% |
| Expected return on assets | 6.1% |
| Rate of increase in pensions in payment and deferred pensions | 2.5% |

The mortality assumptions used in the valuation of the liabilities were as follows

| | 2010 periods |
|--|--------------|
| Longevity at age 65 for current pensioners | |
| Men | 21.2 |
| Women | 24.1 |
| Longevity at age 65 for future pensioners | |
| Men | 22.2 |
| Women | 25.0 |

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The assets of the scheme and the weighted average expected rate of return were

| | Long term rate of return expected 31 August 2010 | Value at 31 August 2010 |
|--|--|-------------------------|
| | % | £000s |
| Equities | 7.0 | 729 |
| Bonds | 3.7 | 279 |
| Property | 6.0 | 97 |
| Cash | 0.5 | <u>109</u> |
| Total assets | | 1,214 |
| Present value of scheme liabilities | | |
| - Funded | | (1,475) |
| Deficit in the scheme | | (261) |

None of the fair values of the assets shown above include any of the Academy's own financial instruments or any property occupied by, or other assets used by, the Academy.

25 PENSION COMMITMENTS (continued)

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 £100,000

Total expenditure recognised in the Statement of Financial Activities

| | 2010 £000s |
|---|------------------|
| Current service cost | 135 |
| Interest cost | 73 |
| Expected return on scheme assets | (66) |
| Past service cost | (95) |
| Total expenditure recognised in SOFA | <u>47</u> |

Net loss recognised in the Statement of Total Recognised Gains and Losses

| | 2010 £000s |
|--|--------------------|
| Actuarial gains on pension scheme assets | 34 |
| Actuarial losses on scheme liabilities | (108) |
| Total amount recognised in STRGL | <u>(74)</u> |

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £74,000

Contributions

The total contributions made by the employer in the period have been £162,000. The level of contribution will be reviewed as a result of the triennial valuation of the scheme as at 31 March 2010.

The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 31 August 2010 is £113,000.

Movement in deficit during the period

| | 2010 £000s |
|--|-------------------|
| Deficit inherited from local authority | 253 |
| Current Service Cost | 135 |
| Past service cost | |
| - Interest costs | 73 |
| - Employer contributions | (113) |
| - Past service gain | (95) |
| - Expected return of assets | (66) |
| - Actuarial loss | <u>74</u> |
| Deficit at 31 August | <u>261</u> |

25 PENSION COMMITMENTS (continued)

Reconciliation of opening and closing balances of the present value of the Academy's share of the scheme liabilities

| | 2010 £000s |
|--|---------------------|
| Liabilities inherited from local authority | 1,214 |
| Current service cost | 135 |
| Past service gain | (95) |
| Interest cost | 73 |
| Contributions by scheme participants | 40 |
| Actuarial losses | <u>108</u> |
| Scheme liabilities at 31 August | <u>1,475</u> |

Reconciliation of opening and closing balances of the present value of the Academy's share of the scheme assets

| | 2010 £000s |
|---|---------------------|
| Assets inherited from local authority | 961 |
| Expected return on scheme assets | 66 |
| Actuarial gains | 34 |
| Contributions by employer | 113 |
| Contributions by scheme participants | <u>40</u> |
| Fair value of scheme assets at 31 August | <u>1,214</u> |

Amounts for the current and previous periods

| | 2010 £000s |
|--|----------------|
| Fair value of assets | 1,214 |
| Present value of scheme liabilities | (1,475) |
| Deficit in scheme | (261) |
| Experience adjustment on scheme assets | (34) |
| Percentage of scheme assets | 2.8% |
| Percentage of scheme liabilities | 0% |

26 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