

Registration number 07631213

Highcliffe School
(A company limited by guarantee)

Annual Report and Financial Statements

for the period from 1 June 2011 to 31 August 2012



Francis Clark LLP
Chartered Accountants & Statutory Auditor
Hitchcock House
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Highcliffe School Contents

Reference and Administrative Details	1 to 2
Governors' Report	3 to 9
Governance Statement	10 to 12
Statement on Regularity, Propriety and Compliance	13
Statement of Governors' Responsibilities	14
Independent Auditors' Report	15 to 16
Independent Auditors' Report on Regularity	17
Statement of Financial Activities incorporating Income and Expenditure Account	18 to 19
Balance Sheet	20
Cash Flow Statement	21
Notes to the Financial Statements	22 to 38

Highcliffe School Reference and Administrative Details

Governors

Mr M Downs* (appointed 12 May 2011)
Mr W T Smith* (appointed 12 May 2011)
Ms C E Van Wingerden (appointed 12 May 2011)
Ms K A Jenkinson (appointed 12 May 2011)
Ms C Kydd-Coutts (appointed 12 May 2011)
Ms M Gardiner (appointed 12 May 2011)
Ms E Hutt (appointed 12 May 2011)
Ms J Bewley (appointed 12 May 2011)
Mr S White (appointed 12 May 2011)
Ms J A Potts* (appointed 12 May 2011)
Ms C A King* (appointed 12 May 2011)
Mr B P Roberts (appointed 12 May 2011)
Mr J M Allin* (appointed 12 May 2011)
Mr M J Axton* (appointed 12 May 2011)
Mr G D Moore* (appointed 09 June 2011)
Mr W M Smith (appointed 09 June 2011)
Mr N C Geary (appointed 09 June 2011)
Mrs M V Mawbey (appointed 09 June 2011)
Mr J Lofts (appointed 09 June 2011)

* Members of the Finance and Facilities Committee

Company Secretary

Ms E M Gower

Senior Leadership

Team

Ms J A Potts, Headteacher
Mr N O'Connor, Deputy Headteacher
Mr N Campbell, Deputy Headteacher
Mr M Yapp, Assistant Headteacher
Mr M Jones, Assistant Headteacher
Mr M Downs, Assistant Headteacher
Ms K Lewis, Business Manager

Principal and Registered Office

Parkside
Highcliffe
Christchurch
Dorset
BH23 4QD

Company

Registration Number

07631213

**Highcliffe School
Reference and Administrative Details**

Auditors

Francis Clark LLP
Chartered Accountants & Statutory Auditor
Hitchcock House
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Bankers

Lloyds TSB Bank Plc
4 Castle Street
Christchurch
Dorset
BH23 1DU

Barclays Bank Plc

Solicitors

Blake Lapthorn
New Kings Court
Tollgate
Chandlers Ford
Eastleigh
Hants
SO53 3LG

Insurance Brokers

Marsh Brokers Ltd

Highcliffe School

Governors' Report for the period from 1 June 2011 to 31 August 2012

The governors present their annual report together with the financial statements and auditors' report of Highcliffe School the charitable company for the period ended 31 August 2012

Conversion to academy trust

On 1 June 2011 Highcliffe School converted to academy trust status under the Academies Act 2010 and all the operations, assets and liabilities were transferred to Highcliffe School from Dorset County Council Local Authority for £Nil consideration

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

The governors present their annual report together with the financial statements and auditors' report of the charitable company for the period ended 31 August 2012

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and is an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the academy trust.

The governors act as the trustees for the charitable activities of Highcliffe School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Highcliffe School.

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

Members' Liability

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

Governors' Indemnities

The School has taken out appropriate indemnity insurance to protect governors' interests.

Principal Activities

The principal activity of Highcliffe School is the public education of students aged 11 to 18.

Method of Recruitment and Appointment or Election of Governors

The number of governors serving at any time shall not be subject to any maximum. The members may appoint up to 9 governors. A maximum of 3 staff governors and 6 parent governors can be appointed. Any contested election of parent governors is held by secret ballot. A parent governor must be a parent of a registered student at the academy at the time of the election. The governors may appoint up to 3 co-opted governors. The term of office of any governor is 4 years.

Highcliffe School

Governors' Report for the period from 1 June 2011 to 31 August 2012

Policies and Procedures Adopted for the Induction and Training of Governors

The induction and training for new governors will be handled either by a mentor or by the Clerk to the Governors. New governors meet with the Chair of Governors before their first meeting. All new governors are encouraged to attend Dorset's course for new governors. Specialist training is arranged for specific responsibilities such as child protection. Governors are kept updated with changes in education through subscriptions to Dorset Governor and Curriculum Management publications.

Organisational Structure

The full Governing Body meets at least twice a term. Certain aspects of the company's business are delegated to the following committees on which the Headteacher and Chair of Governors also sit. The School Business Manager and members of the Senior Leadership Team also attend committees as appropriate.

The Finance and Facilities Committee meets at least twice a term and oversees financial matters, maintenance of the school site and buildings and health and safety.

The Curriculum Committee meets five times a year and strategically plans and monitors the School's formal and informal curriculum provision.

The Personnel Committee meets at least once a year to review the School's pay policies and to oversee the School's Performance Management process and oversee matters relating to staffing.

The Community Links Committee meets four times per year and oversees the School's admissions policies and procedures, safeguarding and child protection and the transition arrangements for students progressing from primary schools.

Risk Management

The governors are responsible for identifying risks faced by the School, establishing procedures to mitigate these risks and ensuring that employees are aware of these procedures.

A regular review of risks is undertaken and controls are in place to mitigate these risks.

- Terms of reference and formal agendas for all committee meetings
- Strategic planning, budgeting and management accounting
- Formal written policies and cycles of review
- Accounting policies and internal financial control measures
- Documented authorisation and approval levels
- Regular Audits of health and safety procedures
- Risk Register monitored by the governing body
- Appointment of a responsible officer

Connected Organisations, including Related Party Relationships

Highcliffe School leads the Highcliffe Learning Alliance. This network provides a framework for a programme of shared teaching and learning across the age range (primary / secondary). Participating schools value this alliance as part of their school improvement programme.

Highcliffe School

Governors' Report for the period from 1 June 2011 to 31 August 2012

Objectives and Activities

Vision Statement

"I believe in using what you have, instead of mourning for that which you do not. In thirty years time, I want to be able to look back at my youth and know that I used my talents fully, that I wasted nothing."

A former Highcliffe Sixth Form Student

Objects and Aims

To ensure that all students learn to their full potential in an informed, caring and supportive environment and that challenging learning experiences develop students as successful confident young adults

To address the Section 5 OFSTED 2008 key finding and to make students' academic targets more precise so that they know exactly what they have to do to improve the quality of their work

Our mission is to establish for all our students a challenging and productive learning environment which is both academically and vocationally relevant

We seek to share with our family of schools and local community the opportunities, resources and expertise necessary to raise standards of achievement and participation at all ages in the study and appreciation of foreign languages and cultures and science, mathematics and environmental and sustainability issues

We aim to equip our students of all levels of ability with the skills, knowledge and attitudes they need to enter into rewarding employment or training as further steps along a path of life-long learning

Objectives, Strategies and Activities

Highcliffe recognises that it is a good school with many outstanding features. We believe that the learner should be at the centre of all school activities and that a consistent approach to the development of the experiences provided for our learners is a key feature of our school progress plan

We aim to ensure secure learning for all our students and ensure that they have a relevant experience which will equip them for the future

We believe in distributed leadership which is effective, creative and energetic and which allows all stakeholders to contribute to the school's success

We value appropriate support systems across the school environment

We embrace cultural changes in order to remodel and realign the school to ensure that it provides a relevant and appropriate education and which support the transformation of the learning community

In 2011-12 the key objective strands of the school progress plan were

- a) Outstanding teaching for outstanding progress
 - b) Narrowing the gaps for SEN and Particular Needs
 - c) Self-evaluation to support progress
 - d) Literacy and numeracy across the curriculum
 - e) Specific feedback for guided learning
-

Highcliffe School

Governors' Report for the period from 1 June 2011 to 31 August 2012

Public Benefit

The governors have complied with their duty to have due regard to guidance on public benefit published by the Charity Commission in exercising their power and duties

The school offers considerable public benefit through its role as a local, non-selective provider of education and the links it has developed with the local community. There is a well-established programme of twilight classes in four different foreign languages which run all year. The school has strong links with multi-agencies such as the police and social services and runs several focus days for students using police, health and other community organisations as deliverers and advisors. The school maintains strong links with the local Rotarians organising several joint activities with students and parents. Art and Design work is displayed in a public forum at Highcliffe Castle and other venues such as permanent displays at Bournemouth Hospital.

The school maintains strong curriculum links with its seven feeder schools both in Dorset and Hampshire with the Highcliffe Learning Alliance. Outreach work occurs in English, Mathematics, Modern Foreign Languages, Science, Physical Education, Music and ICT. There are joint events for gifted and talented students (i.e. an Art and Literacy evening) which are held for parents and students of our feeder schools. There are several whole-day curriculum events for KS2 students (i.e. the Murder Mystery day). The school hosted a Primary Languages festival in March for students from the feeder schools. A joint lecture programme series for members of the community took place in collaboration with Ballard School, a local independent provider. There is an annual community project held at the Regent Centre in Christchurch in collaboration with our partner primary schools.

Achievements and Performance

GCSE

The 5 A*-C pass rate of 81% is the highest the school has ever achieved, and is particularly impressive given the lower prior attainment data for the cohort (see below)

- The 5 A*-C pass rate of 57% including both maths and english represents a drop of 9% based on 2011. It should be seen in the context of the cohort as a whole (see below) and the average drop of 6% experienced across Dorset. The results at Highcliffe were adversely affected by the national changes to the C/D borderline figures at GCSE.
- The results in 2012 are those for a year group with the weakest prior attainment in the school for over a decade. As a result, attainment at GCSE in 2012 was below that of previous years. The school has fully investigated factors contributing to this relative decline in attainment and these are seen to be as follows:
 - A lower percentage of students in the high prior attainment band 32.0% compared to an average for all year groups of 42%.
 - A higher percentage of students in the lower prior attainment band 10.8% compared to an average for all year groups of 7.3%.
 - A 7.52% absence rate compared to a whole school rate of 6.29%.
 - A much lower than normal average point score on entry of 28.2 at Key Stage 2.
 - A higher than normal percentage of students on free school meals (FSM) 10.3% compared to an average of 6.4% (2009-2011).
- Results in English were significantly below the teacher predictions 67% compared to a prediction of 77%. This has had the effect of reducing significantly the overall 5 A*-C (including English and maths) figure and other headline figures, for example three levels of progress in English at Key Stage 4.

Highcliffe School

Governors' Report for the period from 1 June 2011 to 31 August 2012

- The school believes that the reasons for the lower performance in English are, as previously, due to the specific ability profile of the year group (a larger % of students on the C/D borderline) of the cohort entered but, more significantly, due to the changes to the grading criteria for the final English module in summer 2012. This is in line with similar Dorset schools that have also achieved lower than expected English results.
- The English literature results, however, held up at an excellent 83%. Although students usually achieve better at English literature compared with English (91% v 84.5% in 2011, a difference of 6.5%), the gap has widened considerably to 16.3% this year. No reasons can be found within school for this discrepancy, although the national changes to grading criteria is again suspected. It is certainly not due to any lack of rigour within the English curriculum area, which was recently deemed to be outstanding during an internal review.

Results in mathematics were 3% in excess of teacher predictions. Performance at 65% represents an outcome which vindicates the wide range of intervention measures which this cohort received in order to support progress. These include additional teaching time, booster lessons, regrouping of teaching sets, support in lessons, one-to-one tuition and on-line support and teaching.

- Science results are below those of previous years. The school has evaluated these results and believes that the changes to the science specification have contributed to this relative decline. The grade boundaries for science were raised in summer GCSE which contributed to this decline. All curriculum areas have undergone a formal review this year as part of the school's self-evaluation programme. Science will be subject to a review of its teaching and learning during the second half of the autumn term and this will present another opportunity for the curriculum area's results to be studied in further detail.
- In MFL, a disappointing set of results in 2011 with the new GCSE specification brought in a variety of intervention strategies, with a particular emphasis on the written coursework. The improvement strategies adopted produced 68% of entries at GCSE with a grade C or above. In MFL the area exceeded the FFT D predictor by 7.4%. This, coupled with an almost 100% pass rate on the first year of the NVQ MFL qualification, gives the school an overall cohort pass rate of 67% in 2012 which is on a par with the best the school has ever had.

Advanced level

- The performance at Advanced level is slightly down on the previous year, which the school expected to occur in 2012 given the lower prior attainment at entry for the cohort. The Alps figure of 5 for 2010-12 maintains an Alps judgement of 'good' overall which would accurately summarise performance.
- Group numbers post-16 vary a good deal making the identification of trends unreliable; it is interesting to note that out of 33 subjects at A2, only 7 subject areas attained an Alps score of 7-9, with 21 subjects with a score of 5 or above, meaning that they are at least 'good' according to the Alps analysis. The school is aware of those curriculum areas that have underperformed and, using the self-evaluation procedures outlined above, has been able to focus on the reasons for this shortfall.

One student gained a place at Oxford in summer 2012 in Biology, and three students gained places at Medical School.

Sixth form student Aaron Page gained the top chemistry award in the National Academy Excellence Awards.

The school is sustaining a rigorous programme of self-evaluation and during 2012 all curriculum areas have undergone an internal review which has been externally validated. All areas are at least good with outstanding features, and in some cases, outstanding.

The attendance of students was 94.42%, an increase of 0.06% on the previous year and high when compared to national attendance data.

Highcliffe School

Governors' Report for the period from 1 June 2011 to 31 August 2012

The school maintained its programme of international links and maintained its position as a British Council International School. Exchange visits occurred with students in France, Spain and Japan, there was a Christmas market visit to Cologne. There was a mixed sports visit to Italy. The school was linked to St. Patrick's school in Kenya as part of the BBC World Olympic Dreams programme and students visited the school. Advanced level French students completed work experience in Normandy. Students enjoyed a snowboarding trip to North America and a skiing trip to Italy.

Kathryn Moses in Year 9 and Sam Jackson assisted by Sam Nailor, both in year 13 won their categories of the South West Regional Modern Foreign Language Pop Video competition.

Sporting success in 2011/12:

Year 8 Basketball Team	Christchurch Schools Champions
Year 9 Cricket Team	Bournemouth & District Schools Finalists
Year 10 Cricket Team	Bournemouth & District Schools Finalists Dorset County Plate Winners
Year 10/11 Cross Country Team	Dorset Schools Team Champions
Year 7 Football Team	Bournemouth and Christchurch Town Girls' Champions Area Schools Olympic Girls' Tournament Winners
Year 8 Football Team	Bournemouth and District Town Cup Winners
Year 9 Football Team	Bournemouth and Christchurch Town Girls' Champions Area Schools Olympic Girls' Tournament Winners U15 Girls Football County Cup Runners-Up
Year 7 Netball Team	Dorset Schools Finalists
Year 7 Rugby Team	Bournemouth & District Schools Champions
Year 8 Rugby Team	Area Schools Rugby 7's Tournament Runners-up Bournemouth & District Schools Runners-up
Year 9 rugby Team	Area Schools Rugby 7's Tournament Winners Bournemouth & District Schools Champions
Year 12 Rugby Team	Bournemouth & District Schools Champions

Going Concern

After making appropriate enquires, the governing body has a reasonable expectation that the academy trust 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.

Highcliffe School
Governors' Report for the period from 1 June 2011 to 31 August 2012

Financial Review

During the fifteen month period to 31 August 2012, the school generated a surplus of £195,000 in the restricted general fund, excluding the pension reserve, which relates mainly to the recurrent general grant from the Education Funding Agency. The unrestricted balance at 31 August 2012 was £355,000, of which £272,000 relates to revenue balances transferred from the former foundation school on 1 June 2011. The remaining £83,000 surplus was generated during the period.

Principal Risks and Uncertainties

Over 90% of the School's revenue funding is provided by the Education Funding Agency in the form of recurrent grants, the use of which is restricted to specific purposes.

The School's approach to strategic planning takes account of potential changes to funding levels being brought about by the application of revised local and national formulae for the allocation of funds between institutions. This aims to ensure that planned levels of expenditure can be accommodated through anticipated levels of funding and reserves.

In the current economic climate, it is difficult to forecast accurately the impact that restrictions on public sector expenditure will have at individual school level.

Reserves and Investments Policy

The total of reserves held in both restricted and unrestricted funds, excluding the pension fund reserve, amounts to £18,583,000. This includes amounts of funding received by the school prior to conversion to academy status. The governors intend that this should be retained to offset financial uncertainties arising from the current climate of economic austerity.

Plans for Future Periods

The governing body is committed to maintaining and improving the infrastructure of the School. The acquisition of an additional mobile classroom to enable appropriate grouping of curriculum areas will be dependent upon the availability of capital funds.

Auditor

In so far as the governors are aware:

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

Approved by order of the members of the governing body on 6 DECEMBER 2012 and signed on its behalf by



Martin Axton
(Chair)

Highcliffe School Governance Statement

Scope of Responsibility

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

The governing body has delegated the day-to-day responsibility to the Headteacher, 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 the governing body 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.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The governing body has formally met 7 times between 1 June 2011 and 31 August 2012. Attendance during this period at meetings of the governing body was as follows:

Governor	Meetings Attended	Out of a possible
J Allin	3	7
M Axton (Chairman)	6	7
J Bewley (Staff Governor)	7	7
M Downs (Staff Governor)	7	7
M Gardiner	5	7
N Geary	5	7
E Hutt	5	7
K Jenkinson	2	7
C King (Staff Governor)	3	7
C Kydd-Coutts	5	7
J Lofts	7	7
M Mawbey	4	7
G Moore	5	6
J Potts (Headteacher and Accounting Officer)	7	7
B Roberts	6	7
Wilbert Smith	4	7
William Smith	4	7
S White (Responsible Officer)	4	7
C Van Wingerden	7	7

Highcliffe School Governance Statement

The **Finance and Facilities Committee** is a sub-committee of the main governing body. Its purpose is to ensure compliance with relevant statutory and internal regulations, to submit annual revenue and capital budgets to the full governing body for approval, to monitor actual expenditure against these budgets; to annually review the School's internal financial policies and procedures, including the policy for fees and charges and to be responsible for:

- The appointment of external auditors
- receiving quotations, tenders and contracts for all services
- risk management and insurance arrangements
- the maintenance, refurbishment and safety of buildings

During the period since 1 June 2011, the committee has completed the following tasks

- appointed external auditors
- appointed catering contractors
- set budgets in accordance with statutory guidelines
- overseen the completion of a comprehensive Financial Management and Governance Evaluation for the school
- Received reports from the Responsible officer

Attendance at meetings in the year were as follows

Governor	Meetings Attended	Out of a possible
J Allin	5	7
M Axton	4	7
M Downs	7	7
C King	6	7
G Moore	5	7
J Potts	5	7
Wilbert Smith	3	7
William Smith (Chair of Finance)	5	7

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 on-going process designed to identify and priorities the risks to the achievement of the School's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Highcliffe School for the period since gaining Academy status on 1 June 2011, through to 31 August 2012, 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 trust 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 on-going process for identifying, evaluating and managing the School's significant risks that has been in place for the 15 months to ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body.

Highcliffe School Governance Statement

The Risk and Control Framework

The School's system of internal financial control is based on a framework of regular management information and administrative procedures including 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 finance and facilities committee on behalf of the governing body
- Regular reviews by the Finance and Facilities Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- Clearly defined purchasing guidelines
- Delegation of authority and segregation of duties
- 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 governors have appointed Steven White, a Governor, as Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the School's financial systems. Twice during the period up to 31 August 2012, the RO has reported to the finance and facilities committee. The reports found satisfactory controls in place. The external auditor has taken account of the work completed by the RO in establishing the scope of any additional checks required as part of the external audit process.

Review of Effectiveness

As accounting officer the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the period in question, the review has been informed by

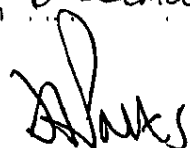
- The work of the Responsible Office,
- The work of the external auditor,
- The financial management and governance self-assessment process,
- The work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Facilities Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the governing body on its behalf by



M Axton (Chair)

6 DECEMBER 2012


J A Potts (Accounting Officer)

Highcliffe School
Statement on Regularity, Propriety and Compliance

As Accounting Officer of Highcliffe School Academy Trust I have considered my responsibility to notify the academy trust governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy trust governing body are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

A handwritten signature in black ink, appearing to be 'J A Potts' with a stylized flourish at the end.

J A Potts
(Accounting Officer)

6/12/2012

Highcliffe School Statement of Governors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business

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

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

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

Approved by order of the members of the governing body on 6 DECEMBER 2012 and signed on its behalf by


Martin Axton
(Chair)

Highcliffe School

Independent Auditors' Report to the members of Highcliffe School Academy

We have audited the financial statements of Highcliffe School Academy for the period from 12 May 2011 to 31 August 2012, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's trustees, 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 charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditors

As explained more fully in the Statement of Governors' Responsibilities (set out on page 14), the governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the governors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements 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 the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Annual Accounts Direction issued by the Education Funding Agency, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

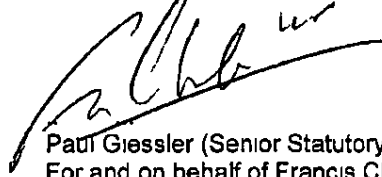
In our opinion the information given in the Governors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Highcliffe School
Independent Auditors' Report to the members of Highcliffe School Academy

Matters on which we are required to report by exception

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

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



Paul Giessler (Senior Statutory Auditor)
For and on behalf of Francis Clark LLP, Statutory Auditor

Hitchcock House
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Date 12 December 2012

Highcliffe School
Independent Auditors' Report on Regularity to the Governing Body of Highcliffe School Academy and the Education Funding Agency

In accordance with the terms of our engagement letter dated 5 December 2011 and further to the requirements of the Education Funding Authority (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by the academy trust during the period 1 June 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the governing body and the EFA. Our review work has been undertaken so that we may state to the governing body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the governing body and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the governing body and Auditors

The governing body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the period from 1 June 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Accounts Direction issued by the EFA.

Opinion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 June 2011 to 31 August 2012 has not been applied to purposes intended by Parliament or the financial transactions do not conform to the authorities which govern them.



Paul Gressler (Senior Statutory Auditor)
For and on behalf of Francis Clark LLP, Statutory Auditor

Hitchcock House
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Date 12 December 2012

Highcliffe School
Statement of Financial Activities for the Period from 1 June 2011 to 31 August
2012
(Including Income and Expenditure Account and Statement of Total Recognised
Gains and Losses)

	Note	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total £'000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Transfer on conversion from local authority	3	223	-	18,198	18,421
Voluntary income	3	49	53	44	146
Activities for generating funds	4	205	288	-	493
Investment income	5	1	-	-	1
<i>Incoming resources from charitable activities</i>					
Funding for the Academy's educational operations	6	-	8,841	-	8,841
Total incoming resources		478	9,182	18,242	27,902
Resources expended					
<i>Cost of generating funds</i>					
Costs of generating voluntary income	7	123	-	-	123
<i>Charitable activities</i>					
Academy's educational operations	8	-	8,850	380	9,230
Governance costs	9	-	22	-	22
Total resources expended	7	123	8,872	380	9,375
Net incoming resources before transfers		355	310	17,862	18,527
Gross transfers between funds	16	-	(171)	171	-
Net income for the period		355	139	18,033	18,527
Other recognised gains and losses					
Opening defined benefit pension scheme liability		-	(738)	-	(738)
Actuarial losses on defined benefit pension schemes	24	-	(289)	-	(289)

Highcliffe School
Statement of Financial Activities for the Period from 1 June 2011 to 31 August
2012
(Including Income and Expenditure Account and Statement of Total Recognised
Gains and Losses)

	Note	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total £'000
Net movement in funds/(deficit)		355	(888)	18,033	17,500
Reconciliation of funds					
Funds/(deficit) carried forward at 31 August 2012		355	(888)	18,033	17,500

All of the Academy's activities derive from acquisitions in the current financial period

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

Highcliffe School
(Registration number: 07631213)
Balance Sheet as at 31 August 2012

	Note	31 August 2012 £'000
Fixed assets		
Tangible assets	13	18,033
Current assets		
Debtors	14	191
Cash at bank and in hand		845
		<u>1,036</u>
Creditors Amounts falling due within one year	15	<u>(486)</u>
Net current assets		<u>550</u>
Total assets less current liabilities		<u>18,583</u>
Pension scheme liability	24	<u>(1,083)</u>
Net assets including pension liability		<u>17,500</u>
Funds of the Academy		
Restricted funds		
Fixed asset fund	16	18,033
General fund	16	183
Pension fund	16	(1,083)
Other fund		<u>12</u>
		17,145
Unrestricted funds		
Unrestricted general fund	16	355
Total funds		<u>17,500</u>

The financial statements on pages 18 to 38 were approved by the governors, and authorised for issue on 6/12/12 and signed on their behalf by



Mr M J Axton
Chair of Governors

Highcliffe School
Cash Flow Statement for the Period from 1 June 2011 to 31 August 2012

	Note	31 August 2012 £'000
Net cash inflow from operating activities	19	1,015
Returns on investments and servicing of finance	20	1
Capital expenditure and financial investment	22	<u>(171)</u>
Increase in cash in the period		<u>845</u>

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	845
Net funds at 1 June 2011	<u>-</u>
Net funds at 31 August 2012	<u>845</u>

All of the cash flows are derived from acquisitions in the current financial period

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

1. Accounting policies

Basis of preparation

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

Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Highcliffe School. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/net expenditure in the Statement of Financial Activities and analysed under restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in the notes.

Going concern

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

Incoming resources

All incoming resources are recognised when the Academy Trust 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.

Sponsorship income

Sponsorship income provided to the Academy Trust 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.

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.

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust 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 Trust's policies.

The Charitable Company has, upon becoming an Academy Trust, been granted the freehold of the school land and buildings for no consideration. The land and buildings have been valued by the Trustees, having taken professional advice, at the depreciated replacement cost. The land and buildings in which the Academy Trust operates were valued at £18,150,000 on 1 June 2011, the date the school converted to an Academy Trust.

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.

Cost of generating funds

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

Charitable activities

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

Governance costs

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

Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. 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 Trust'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 over its expected useful lives on a straight line basis, per the table below.

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

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

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

Asset class	Depreciation method and rate
Freehold buildings	50 years straight line
Freehold improvements	3 - 10 years straight line
Furniture & Equipment	3 - 5 years straight line
Computer Equipment	5 years straight line
Motor Vehicles	5 years straight line

Leased assets

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

Taxation

The Academy Trust 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 Trust 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

Pension benefits

Retirement benefits to employees of the Academy Trust 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 Trust. 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 Trust 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 the notes to the financial statements, the TPS is a multi-employer scheme and the Academy Trust 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.

LGPS is a funded scheme and the assets are held separately from those of the Academy Trust 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.

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August
2012

Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 Department for Education

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

2. General Annual Grant (GAG)

a Results and carry forward for period

	31 August 2012
	£'000
GAG allocation for current period	8,667
Total GAG available to spend	8,667
Recurrent expenditure from GAG	(8,199)
Fixed assets purchased from GAG	(171)
GAG carried forward to next year	297
Maximum permitted GAG carry forward at end of current period (12% of allocation for current period)	(1,040)
GAG to surrender to DfE	(743)
(12% rule breached if result is positive)	No Breach

b Use of GAG brought forward from previous for recurrent purposes

Recurrent expenditure from GAG	8,199
GAG allocation for current period	(8,667)
GAG brought forward from previous in excess of 2%, used on recurrent expenditure in current period	(468)
(2% rule breached if result is positive)	No Breach

3. Voluntary Income

	Unrestricted funds	Restricted funds	Total
	£'000	£'000	£'000
Donations at conversion – Capital	-	18,198	18,198
Donations at conversion – Other	272	53	325
Capital Grants	-	44	44
	272	18,295	18,567

4. Activities for generating funds

	Unrestricted funds	Restricted funds	Total
	£'000	£'000	£'000
Hire of facilities	2	-	2
Tnp income	-	288	288
Other generating funds income	203	-	203
	205	288	493

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

5. Investment Income

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Short term deposits	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>

6. Funding for Academy's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
DfE/EFA revenue grants			
General Annual Grant (GAG) (note 2)	-	8,667	8,667
Start Up Grants	-	-	-
Other DfE grants	-	103	103
	-	<u>8,770</u>	<u>8,770</u>
Other government			
Local authority grants	-	10	10
Special educational projects	-	61	61
	-	<u>71</u>	<u>71</u>
	-	<u>8,841</u>	<u>8,841</u>

7. Resources Expended

	Staff costs £'000	Premises £'000	Other costs £'000	Total £'000
Costs of generating voluntary income	-	-	123	123
Costs of activities for generating funds	-	-	-	-
Academy's educational operations				
Direct costs	6,066	-	1,217	7,283
Other DfE grants	876	710	361	1,947
	<u>6,942</u>	<u>710</u>	<u>1,701</u>	<u>9,353</u>
Governance costs including allocated support costs				
	-	-	22	22
	<u>6,942</u>	<u>710</u>	<u>1,723</u>	<u>9,375</u>

Net incoming/outgoing resources for the period include:

	31 August 2012 £'000
Operating leases	10
Fees payable to auditor	7
- audit	4
- other audit services	<u>21</u>

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

8 Charitable activities - Academy's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Direct costs			
Teaching and educational support staff costs	-	6,066	6,066
Depreciation	-	380	380
Educational supplies	-	310	310
Exam fees	-	166	166
Staff development	-	23	23
Trip costs	-	338	338
	-	7,283	7,283
Allocated support costs			
Support staff costs	-	876	876
Advertising and promotion	-	34	34
Recruitment and support	-	80	80
Maintenance of premises and equipment	-	392	392
Cleaning	-	162	162
Rent and rates	-	38	38
Light and heat	-	92	92
Insurance	-	88	88
Security and transport	-	32	32
Catering	-	44	44
Bank interest and charges	-	1	1
Telephone	-	17	17
Printing, postage and stationary	-	73	73
Other support costs	-	18	18
	-	1,947	1,947
	-	9,230	9,230

9. Governance costs

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Legal and professional fees	-	6	6
Auditors' remuneration			
Audit of financial statements	-	7	7
Other services	-	4	4
Governors' reimbursed expenses	-	5	5
	-	22	22

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

10. Staff costs

	31 August 2012
	£'000
Staff costs during the period were.	
Wages and salaries	5,621
Social security costs	448
Pension costs	833
	<hr/> 6,902
Supply teacher costs	28
Compensation payments	12
	<hr/> 6,942

The average number of persons (including senior leadership team) employed by the Academy during the period expressed as full time equivalents was as follows

	31 August 2012
Charitable Activities	
Teachers	87
Administration and support	47
Leadership and management	7
	<hr/> 141

The number of employees whose emoluments during the 15 months to 31 August 2012 that fell within the following bands was

	31 August 2012
£60,001 - £70,000	7
£80,001 - £90,000	1
£90,001 - £100,000	1
£160,001 - £170,000	1
	<hr/>

9 of the above employees participated in the Teachers' Pension Scheme. During the 15 months to 31 August 2012, pension contributions for these staff amounted to £99,460

The other employee participated in the Local Government Pension Scheme and pension contributions for the period amounted to £11,472

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 governors' remuneration, including employer's contributions into the teachers' pension scheme for the 15 months to 31 August 2012 was as follows

Staff Governor	Remuneration in 15m to 31/08/2012	Annual salary for 12 months to 31/08/2012	Teachers' Pension for 12m to 31/08/2012
Headteacher (Ms J A Potts)	£184,054	£131,036	£18,469
Staff Governor (Ms J Bewley)	£60,000 - £65,000	£44,079	£6,216
Staff Governor (Ms C King)	£60,000 - £65,000	£48,024	£6,768
Staff Governor (Mr M Downs)	£65,000 - £70,000	£45,637	£6,432

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

During the 15 month period ended 31 August 2012, travel & subsistence expenses totaling £85 were reimbursed to a governor

Related party transactions involving the trustees are set out in note 25

12. Governors' 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 £5,000,000 on any one claim and the cost for the period ended 31 August 2012 was £2,420. The cost of this insurance is included in the total insurance cost.

13 Tangible fixed assets

	Freehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
Additions	165	3	5	51	224
Inherited assets	18,150	18	9	12	18,189
At 31 August 2012	18,315	21	14	63	18,413
Depreciation					
Charge for the year	360	5	3	12	380
At 31 August 2012	360	5	3	12	380
Net book value					
At 31 August 2012	17,955	16	11	51	18,033

14 Debtors

	31 August 2012 £'000
Prepayments	120
VAT recoverable	71
	<u>191</u>

15. Creditors: amounts falling due within one year

	31 August 2012 £'000
Trade creditors	204
PAYE and NIC creditor	107
Accruals and deferred income	175
	<u>486</u>

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

Deferred Income

31 August 2012
£'000

Deferred income at 1 June 2011	-
Resources deferred in the period	36
Amounts released from previous years	-
Deferred income	<u>36</u>

At the balance sheet date the Academy Trust was holding funds received in advance for Trips and Music lessons which will take place in the new financial year, as well as funds received in advance on grants which cover the year to 31 March 2013

16 Funds

	Incoming resources £'000	Resources expended £'000	Gains, losses and transfers £'000	31 August 2012 £'000
Restricted general funds				
General Annual Grant (GAG)	8,667	(8,370)	(115)	182
Other DfE grants	103	(94)	-	9
LEA and other grants	71	(71)	-	-
Pension reserve	-	-	(1,083)	(1,083)
Other restricted	341	(337)	-	4
	<u>9,182</u>	<u>(8,872)</u>	<u>(1,198)</u>	<u>(888)</u>
Restricted fixed asset funds				
Donation from LA	18,198	-	-	18,198
DfE/EFA Capital Grants	44	(380)	-	(336)
Capital expenditure from GAG	-	-	171	171
	<u>18,242</u>	<u>(380)</u>	<u>171</u>	<u>18,033</u>
Total restricted funds	<u>27,424</u>	<u>(9,252)</u>	<u>(1,027)</u>	<u>17,145</u>
Total unrestricted funds	<u>478</u>	<u>(123)</u>	<u>-</u>	<u>355</u>
Total funds	<u>27,902</u>	<u>(9,375)</u>	<u>(1,027)</u>	<u>17,500</u>

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

17 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted funds £'000	Restricted General funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	-	18,033	18,033
Current assets	363	673	-	1,037
Current liabilities	(8)	(478)	-	(486)
Pension scheme liability	-	(1,083)	-	(1,083)
Total net assets	355	(888)	18,033	17,500

18. Financial commitments

Operating leases

At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows

Operating leases which expire:

	31 August 2012 £'000
<u>Other</u>	
Within one year	5
Within two to five years inclusive	5
In over five years	-
	<u>10</u>

19 Reconciliation of net income to net cash Inflow/(outflow) from operating activities

	31 August 2012 £'000
Net income	18,527
Depreciation	380
Capital grant expenditure	-
Capital grants from DfE and other capital income	(18,242)
Interest receivable	(1)
FRS 17 pension cost less contributions payable	11
FRS17 pension finance income	45
Increase in debtors	(191)
Increase in creditors	486
Net cash inflow from operating activities	<u>1,015</u>

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

20. Returns on investments and servicing of finance

	31 August 2012 £'000
Interest received	<u>1</u>

21. Capital expenditure and financial investment

	31 August 2012 £'000
Purchase of tangible fixed assets	(223)
Capital grant from DfE	<u>52</u>
Net cash outflow from capital expenditure and financial investment	<u>(171)</u>

22. Analysis of changes in net funds

	At 1 June 2011 £'000	Cash flows At 31 August 2012 £'000	£'000
Cash in hand and at bank	<u>-</u>	<u>845</u>	<u>845</u>

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

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, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Dorset County Council 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 period

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010

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

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

24. Pension and similar obligations (continued)

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases)

From 1 April 2001, the Account has been 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 real rate of return

The Government Agency ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews 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 the 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 latest valuation of the TPS related to the period 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 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. 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 SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits, the TPS is a multi-employer 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.

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

24. Pension and similar obligations (continued)

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 period ended 31 August 2012 was £220,000, of which employer's contributions totaled £170,000 and employees' contributions totaled £50,000. The agreed contribution rates for future years are 20.2% for employers and 5.5% to 7.2% for employees.

As described in the notes the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

Principal actuarial assumptions

	At 31 August 2012
Rate of increase in salaries	3.90
Rate of increase for pensions in payment/inflation	1.90
Discount rate for scheme liabilities	3.90
Inflation assumptions (CPI)	1.90
RPI increases	<u>2.70</u>

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below.

Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	1,919	1,977	2,037
Projected service cost	<u>176</u>	<u>183</u>	<u>190</u>

Adjustment to mortality age rating assumption	+ 1 Year	None	- 1 Year
Present value of total obligation	1,904	1,977	2,052
Projected service cost	<u>175</u>	<u>183</u>	<u>191</u>

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

Retiring today	
Males retiring today	20.00
Females retiring today	24.00
Retiring in 20 years	
Males retiring in 20 years	22.00
Females retiring in 20 years	<u>25.90</u>

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August
2012

24. Pension and similar obligations (continued)

The academy's share of the assets and liabilities in the scheme were

	At 31 August 2012 £'000
Equities	545
Gilts	179
Property	80
Cash	45
Other	45
Total market value of assets	894
Present value of scheme liabilities - funded	(1,977)
Deficit in the scheme	(1,083)

The expected rates of return were

	At 31 August 2012 £'000
Equities	5.80
Gilts	2.80
Property	3.80
Cash	0.50
Other	2.50

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £101,000

Amounts recognised in the statement of financial activities

	31 August 2012 £'000
Current service cost	181
Total operating charge	181

Analysis of pension finance income/(costs)

	31 August 2012 £'000
Expected return on pension scheme assets	(50)
Interest on pension liabilities	95
Pension finance expense	45

The actuarial losses for the current period of £289,000 are recognised in the statement of financial activities

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August
2012

24. Pension and similar obligations (continued)

Movements in the present value of defined benefit obligation

	31 August 2012
	£'000
At 1 June	1,311
Current service cost	181
Interest cost	95
Employee contributions	50
Estimated benefits paid	(1)
Actuarial losses	341
At 31 August	<u>1,977</u>

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

	31 August 2012
	£'000
At 1 June	573
Expected return on assets	50
Actuarial gains	52
Employer contributions	170
Employee contributions	50
Estimated benefits paid	(1)
At 31 August	<u>894</u>

The estimated value of employer contributions for next period is £136,000

History of experience adjustments

Amounts for the current and previous period are as follows

	31 August 2012
	£'000
Present value of scheme liabilities	(1,977)
Fair value of scheme assets	894
Deficit in the scheme	<u>(1,083)</u>

	31 August 2012
	£'000
Experience adjustments arising on scheme assets	52
Experience adjustments arising on scheme liabilities	<u>-</u>

25. Related party transactions

There were no related party transactions in the period

Highcliffe School
Notes to the Financial Statements for the Period from 1 June 2011 to 31 August 2012

26 Conversion to an academy trust

On 1 June 2011 the Highcliffe School converted to academy trust status under the Academies Act 2010 and all the operations assets and liabilities were transferred to Highcliffe School Academy from the Dorset Council Local Authority for £Nil consideration

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

The following table sets out the fair values of the identifiable assets and liabilities and an analysis of their recognition in the SOFA.

	Unrestricted fund £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	Total £'000
Tangible fixed assets				
Freehold/leasehold land and buildings	-	-	18,150	18,150
Other tangible fixed assets	-	-	39	39
Budget surplus on LA funds	214	-	9	223
LGPS pension deficit	-	(738)	-	(738)
Net assets/(liabilities)	214	(738)	18,198	17,674