

Registered number  
07359755

The RGS/AFS Thinking Schools Academy Trust  
(formerly known as The Rochester Grammar School Academy Trust)

(A Company Limited by Guarantee)

Report and Accounts

31 August 2012



**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Report and accounts**  
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**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Reference and Administrative Details of the Academy,**  
**its Governors and Advisors**

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**Directors/trustees of the Academy Trust at 31 August 2012**

Mr P Martin (Chairperson)  
 Ms D Shepherd (Executive Principal)  
 Mrs H Taylor (Head teacher - All Faiths')(appointed 8th May 2012)  
 Mrs S Earle  
 Mr D Morrison (appointed 8th May 2012)  
 Mr J O'Meara (appointed 8th May 2012)(resigned 28th August 2012)  
 Mrs A Savage  
 Mr D Scruton (appointed 8th May 2012)

In addition to the above a number of individuals resigned as directors/trustees (but not as governors of the individual schools) on 8th May 2012. This was part of the restructuring of the trust ahead of All Faiths' Children's Community School conversion to academy status and joining the trust on 1st June 2012. The following directors resigned on this date: Mr G Batty, Mrs H Britten, Mrs J Corbyn, Mrs E Crockford, Mrs D Dimmick, Mr S Gardner, Mr R Hill, Canon J Kerr, Prof T Luckhurst, Mr P Miller, Dr S Pattnayak, Mrs C Ransom, and Mr P M A Thompson.

**Secretary**

Ms J Smith

**Local school Governors at 31 August 2012**

***The Rochester Grammar School***

Mr G Batty  
 Mrs H Britten (Staff Governor)  
 Mrs J Corbyn  
 Mrs E Crockford  
 Mrs D Dimmick  
 Mrs S Earle (Responsible Officer (RGS only))  
 Mr S Gardner (Head teacher) \*  
 Mr R Hill \*  
 Canon J Kerr  
 Prof T Luckhurst  
 Mr P Martin (Chair of Governors) \*  
 Mr P Miller  
 Dr S Pattnayak  
 Mrs C Ransom (Staff Governor)  
 Mrs A Savage  
 Ms D Shepherd (Executive Principal) \*  
 Mr P M A Thompson (Vice Chair of Governors)

***All Faiths' Children's Community School***

Miss J Anderson  
 Mrs M Browning (Deputy Headteacher) \*  
 Mrs C Kennett  
 Mr C Lewis \*  
 Mr D Morrison (Chair of Governors) \*  
 Mrs L Page  
 Mr D Scruton \*  
 Mrs H Taylor (Head teacher) \*  
 Miss G Wilkinson (appointed 13 September 2012)

\* members of the Finance Committee at respective local school

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**Senior management teams**

***The Rochester Grammar School***

Executive Principal	Ms D Shepherd *
Principal	Mr S Gardner *
Head of School	Mr G Bassan
Senior assistant Headteacher	Mrs K Millar
Assistant Headteacher	Mr I Macaulay
Assistant Headteacher	Mr R Coe
Business manager	Mr B Ingram *

***All Faiths' Children's Community School***

Headteacher	Mrs H Taylor *
Deputy Headteacher	Mrs M Browning *
Assistant Headteacher	Miss S Daye
Assistant Headteacher	Miss L Marsh
Business manager	Mr D High *

**Auditors**

UHY Kent LLP  
 t/a UHY Hacker Young  
 Thames House  
 Roman Square  
 Sittingbourne  
 Kent ME10 4BJ

**Solicitors**

Browne Jacobson  
 6th Floor  
 77 Gracechurch Street  
 London  
 EC3V 0AS

**Bankers**

Nat West Bank plc  
 Maidstone Road,  
 Rochester,  
 Kent ME1 3DY

**Registered office**

The Rochester Grammar School  
 Maidstone Road  
 Rochester  
 Kent  
 ME1 3DY

**Registered number**

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**The RGS/AFS Thinking Schools Academy Trust**  
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**Trustees' Report**

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The Trustees present their annual report and auditors' report of the Academy Trust for the year ended 31 August 2012

**Structure, governance and management**

**Constitution**

The Academy Trust was incorporated on 27 August 2010 as a company limited by guarantee and an exempt charity. The Academy Trust's memorandum and articles of association are the primary governing documents of the Academy Trust. The memorandum and articles of association were amended on 8 May 2012 ahead of welcoming All Faiths' Children's Community School ("All Faiths' ") into the Trust on 1 June 2012.

As part of this restructuring on 16 May 2012, the Academy Trust changed its name from The Rochester Grammar School Academy Trust to The RGS/AFS Thinking Schools Academy Trust.

The Trustees are also the directors of The RGS/AFS Thinking Schools Academy Trust for the purposes of company law.

Details of the Trustees, along with the individual schools' 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 Academy Trust undertakes to contribute to the assets of the Academy Trust in the event of it being wound up whilst 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.

**Trustees and Governors' indemnities**

The individual academies each maintain Governors' and officers' liability insurance which gives appropriate cover for any legal action brought against Governors, or Trustees of the Academy Trust. The Academy Trust has also granted indemnities to each of its Trustees and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year and remain in force, in relation to certain losses and liabilities which the Trustees, Governors or other officers may incur to third parties in the course of acting as Trustees, Governors or officers of the Academy Trust.

Details of the insurance cover are provided in note 12 to the financial statements.

**Principal activities**

The Academy Trust took over the operation of The Rochester Grammar School on the school's conversion to academy status on 1 November 2010. Since then, and until 1 June 2012, the Academy Trust's principal object and activity has been to manage The Rochester Grammar School's provision of education to pupils between the ages of 11 and 19.

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On 1st June 2012 The Rochester Grammar School welcomed All Faiths Children's Community School into the Academy Trust. The two schools had worked closely together for some years and they are now working even closer on initiatives to enrich and improve the life chances and experiences of our children and staff. The two schools share a commitment to cognitive education and Thinking School status.

On 16 May 2012, and as part of the restructuring to incorporate All Faiths' Children's Community School into the Academy Trust, the company changed its name from The Rochester Grammar School Academy Trust to The RGS/AFS Thinking Schools Academy Trust.

**Method of recruitment and appointment or election of Governors**

Under the terms of its Articles, since 1 June 2012 when All Faiths' joined the Trust, the Academy Trust established an Executive Committee of Directors as follows:

- the respective chairmen of each Local Governing Body,
- two Parent Directors to be elected by parents of registered pupils at each Academy,
- the Principal of each Academy, and
- two Academy Directors, one appointed by each Academy.

The Academy Trust may also have any Additional or Further Directors as appointed in accordance with the Articles.

The members may not appoint any Trustees unless the total number of Trustees is less than three, in which case the members may make the appropriate appointments, in accordance with the Articles.

A Trustee's term of office is four years (excluding the Principals) but a Trustee is eligible for re-election at the meeting at which they retire.

Appropriate training is provided to all new Trustees and Governors, as required.

**Policies and procedures adopted for the induction and training of Governors**

During the year under review the Full Governing Body met 4 times and there were 21 committee meetings. The training and induction provided for new Governors will depend on their existing experience. Where necessary induction will provide training on charity and educational legal and financial matters. All new Governors will be given a tour of their respective school and the chance to meet with staff and students. All Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors. As there are normally only two or three new Governors a year at most, induction tends to be done informally and is tailored specifically to the individual.

**Organisation structure**

As noted above the Academy Trust now consists of two academies: The Rochester Grammar School and All Faiths' Children's Community School. The Academy Trust is responsible for both academies. The Executive Principal is Accounting Officer for the Academy Trust as a whole, and each academy has their own Headteacher.

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The Trustees of the Academy Trust are supported by a local Governing Body and sub-committees at each individual academy as follows

***The Rochester Grammar School***

The organisational structure consists of three levels the Governors, The Senior Leadership Team and the Middle Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

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

The Senior Leadership Team comprises the Executive Principal, the Principal, Head of School, Senior Assistant Headteacher and two Assistant Headteachers, together with the Business Manager. These managers control the Academy at an executive level implementing the policies laid down by the Governors and reporting back to them. As a group the Senior Leadership Team are responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment boards for posts in the Senior Leadership Team always contain a Governor. Some spending control is devolved to members of the Middle Leadership Team, with limits above which a member of the Senior Leadership Team must countersign.

The Middle Leadership Team includes Curriculum Area Leaders, Heads of House and Lead Practitioners. Along with the Senior Leadership Team these managers are responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students.

***All Faiths' Children's Community School***

The organisational structure at All Faiths' consists of 3 levels, The Governing Body, the Senior Leadership Team and the teaching and support staff.

The Governors are responsible for setting general policy, overseeing the annual improvement plan, setting the budget, monitoring the school in terms of pupil progress, standards, health and safety and finances. They make major decisions about the strategic direction of the School, capital expenditure and senior staff appointments.

The Senior Leadership Team comprises the Headteacher, Deputy Headteacher, 2 Assistant Headteachers and the Business Manager. These managers control the School at an executive level by implementing the policies agreed by the Governors and reporting back to them. The middle management team consists of Key Stage co-ordinators, curriculum leaders, our Special Educational Needs Co-ordinator and the 2 joint managers of Gun Lane Children's Centre. Annual curriculum budgets are devolved to Subject Leaders but all orders must be authorised by the Headteacher.

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**Risk management**

The Trustees have assessed the major risks to which each 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 Trustees have implemented a number of systems to assess risks that the school 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. Each academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

**Connected organisations, including related parties**

Rochester Grammar School for Girls Charity is a separately registered charity, registration no. 307839. Its principal objects are the provision of items, services and facilities for the school by the making of grants to the school and individuals. This charity also owns the freehold to the school land and buildings, and leases this to the Academy Trust on a 125 year lease at an annual peppercorn rent.

There is also a Parent-Teacher Association, The Rochester Grammar School Association, also established as a separately registered charity, registration number 803801, which organises various fundraising events to provide facilities for the pupils of The Rochester Grammar School.

All Faiths' Children's Community School Voluntary Fund is under the control of the Academy Trust and ordinarily would be consolidated into the financial statements, but has been excluded on the grounds of immateriality for the three month period 1 June 2012 to 31 August in which All Faiths' Children's Community School was part of the trust.

All Faiths' Children's Community School PFA is a Parent-Friends Association, an unregistered charity, which organises various fundraising events to provide funds for the School.

**Objectives and Activities**

**Objects and aims**

The principal objects of the Academy Trust are the operation of The Rochester Grammar School, providing education for pupils between the ages of 11 and 19 and the operation of All Faiths' Children's Community School, providing education for pupils between the ages of 3 and 11.

**Objective, strategies and activities**

The main objectives of the Academy Trust during the year ended 31 August 2012 are summarised below:

- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care,
- to raise the standard of educational achievement of all pupils,
- to improve the effectiveness of both academies by keeping the curriculum and organisational structure under continual review,
- to provide value for money for the funds expended,



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- to comply with all appropriate statutory and curriculum requirements,
- and some weekend activities, and
- to conduct the academies' business in accordance with the highest standards of integrity, probity and openness

The Rochester Grammar School's main strategy is encompassed in its mission statement which is 'Furthering Excellence, through Support, Encouragement and Achievement' To this end the activities provided include

- tuition and learning opportunities for all students to attain appropriate academic qualifications,
- training opportunities for all staff, and especially teaching staff,
- a programme of sporting and after school leisure activities for all students,
- a system of after school clubs,

**Public benefit**

***The Rochester Grammar School***

The Rochester Grammar School is a state funded Grammar School and strives to promote and support the advancement of education within the Medway and Kent area. The school provides an extensive programme of educational and recreational activity - all designed to contribute to the overall education of our students in areas such as academic distinction, music, the arts and sport.

The Rochester Grammar School is located within the Medway Towns however pupils attend from a large number of junior schools within the wider community. The admission entry is with testing and priority is given to children in public care, where a pupil can demonstrate a specific musical aptitude and in rank order based on the scores achieved in the tests.

Wherever possible the school also aims to contribute to the benefit of the wider public, through the provision of incidental educational and other activities. Over the year the contributions that benefit the local community included the following:

- We host a considerable number of lettings within the school throughout the year. These lettings are provided for clubs and associations that are open to the general public.

Our regular lettings during term time are:

- City or Rochester Orchestra use the school every Monday during term time for rehearsals. We also have Kaleidoscope in school on Monday evenings. Kaleidoscope specialises in adult music lessons (both for individuals and small groups),
- Every Tuesday we host Brook Orchestra for rehearsals. This orchestra also use the school for charity concerts during the year,

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- Kent Music use the school each Thursday as a hub for local student music teaching. The school is also used by Kent Youth Choirs and Kent Youth Wind Orchestra (KYWO) during weekends throughout the year. KYWO also use the school for many of their performances,
- Every Saturday we host two sessions for Pauline Quirke Academy. Those taking part are drawn from Medway towns and surrounding areas. PQA also use the school for many of their concerts plus their summer school,
- The school has also hosted various events during the year within the Thorndike Arts Centre, all of which were open to the general public. Performances were provided by James Taylor Quartet, Clive Carroll, Cantabile, Beverley Craven and Stereo Decade,
- Various local dance schools use the school for their presentations and performances,
- Our football pitch and netball courts are used by local teams, and
- Trinity music exams take place in the school during the year

**Other Activities**

- Students and staff raised over £12,000 last year for charities through a range of activities including talent and quiz nights, Zumba workouts etc ,
- The Duke of Edinburgh award scheme has continued to be very popular and RGS has the largest group of Medway participants taking part in the Bronze Award and one of the largest groups in the country,
- The annual Senior Citizens Christmas Party continues to be very successful. Students in year 12 arrange the event providing entertainment and refreshments for our local senior citizens, and
- 6th form bursaries are supplied by the Governors to the School to develop music within the school

**Sports teams**

- All of our "A" Netball teams finished within the top 2 of the Medway Schools Leagues,
- Athletics team had a very successful year and came first overall in the District Athletics Championship. RGS won the year 8, 9, 10/11 trophies,
- RGS also had successes at the Medway Schools Cross Country Championships and saw individual wins in every year group, and
- School is actively involved in other sports activities within the Medway leagues

***All Faiths' Children's Community School***

All Faiths' is a state funded primary school which strives to promote and support the advancement of education within the Medway and Kent area. The School provides specialist teaching for deaf pupils, a Nurture Group on behalf of its Partnership of Schools and a Children's Centre (Gun Lane Children's Centre) providing services for about 600 local families and activities beyond the school day - all designed to contribute to the overall education of our pupils.

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**Equal opportunities**

The Trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Academy Trust 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**

Both academies have made appropriate provisions for disabled persons. At The Rochester Grammar School ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the ground floor areas of the Academy Trust buildings. A lift was installed during the year which has enabled wheelchair access to 90% of the classrooms within The Rochester Grammar School. At All Faiths' ramps, toilets and a lift are installed to ensure the School fully accessible to disabled people.

The policy of the Academy Trust is to support recruitment and retention of students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

**Achievements and performance**

The Trustees were very pleased with the achievements and performance of both academies under their control during the year. The individual schools' specific achievements can be best summarised as follows:

***The Rochester Grammar School***

The Governors were very pleased with the main academic achievement in the year, which can be summarised as follows:

- Students at The Rochester Grammar School achieved the best results ever in A levels, International Baccalaureate and GCSEs,
- At GCSE every student achieved 5 A\*/C including English and Maths. 91% of students achieved 5+ A\*/A grades or better,
- Within A level and IB 85% of grades were A\*/B,
- According to the Sunday Times RGS had one of the largest groups of students completing the IB in this year and was the highest placed state school in the country with a large entry (over 40 students), and
- RGS was ranked 35th highest performing state school by Sunday Times.

***National Teaching School***

The Rochester Grammar School was designated a National Teaching School in March 2012 and established a teaching school alliance called "New Horizons TSA". This alliance consists of a diverse group of local Medway and Kent schools, including special, early years, primary, secondary and independent schools. Our overarching aim is to improve the life chances of all the children within the alliance and beyond. This to be achieved by improving the quality of teaching and learning, initial teaching training leadership and research and professional development.

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***Thinking Schools***

The Rochester Grammar School has continued to lead a growing number of schools that aspire to be Thinking Schools. This year we became the first English Secondary School to be accredited as an Advanced Thinking School. Core tools were introduced to staff and students and the school has embedded the use of effective memory techniques to assist students with their revision.

***All Faiths' Children's Community School***

- In 11/12, Year 6 pupils exceeded the attainment predicted in the Family Fischer Trust D forecast and made significantly better progress than the national average,
- 53% attained L4+ in English and Mathematics combined and 14% achieved L5, 100% made at least 2 levels of progress in English and 85% in Mathematics,
- Although SATs results fell this year, the majority of pupils achieved very well compared to their low starting points. Small, complex cohorts make year on year comparisons almost meaningless,
- Awarded the National Nurture Group Quality Mark, the first school in Kent,
- De Bono Thinking Hats Accreditation,
- Basic Skills Quality Mark awarded for the second time, and
- Kent Deaf Children's Society Professionals of the Year Award

**Going concern**

After making appropriate enquiries, 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.

**Key financial performance indicators**

The Trustees consider that the following are key performance indicators for the Academy Trust:

- Percentage of income received from EFA spent on teaching staff,
- Percentage of income received from EFA spent on total staff costs,
- Pupils numbers (leading directly to EFA funding level), and
- General financial stability - aim for income to match expenditure each year

The Trustees have been pleased that expectations for all key performance indicators listed have been successfully met during the year.

**Financial review**

During the year the Academy Trust inherited the assets and liabilities of All Faiths' Children's Community School in hand on 1 June 2012, the date of that school's conversion to academy status. A net donation of £3,914,683 is included within income in the Statement of Financial Activities, in accordance with the EFA Accounts Direction. Fixed assets inherited are included in the Restricted Fixed Asset Fund, all other assets and liabilities, excluding the opening Local Government Pension Scheme position, are shown as a net donation into unrestricted funds. The opening Local Government Pension Scheme liability is included within Restricted Funds income as a negative donation in accordance with the EFA Accounts Direction.

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**Financial review - continued**

Most of the Academy Trust's recurrent income is obtained from the EFA/YPLA in the form of grants, the use of which is restricted to particular purposes. The grants received from the EFA and YPLA during the year ended 31 August 2012 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During the year ended 31 August 2012, total expenditure of £6,173,387 was more than covered by recurrent grant funding from the EFA together with other incoming resources. The net income for the year was £3,899,194 increasing net funds by this amount to £20,406,895.

At 31 August 2012, the net book value of fixed assets was £21,233,242 and movements in tangible fixed assets are shown in note 13 to the financial statements. During the year the assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

**Financial and risk management objectives and policies**

Neither academy uses complex financial instruments. Each academy manages its activities using cash and various items such as trade debtors and trade creditors that arise directly from operations.

The existence of these financial instruments exposes each academy to a number of financial risks which are described in more detail below. The main risks arising from the academies' financial instruments are liquidity risk, cash flow interest rate risk, and credit risk, as detailed below.

**Liquidity risk** - each academy manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing.

**Interest rate risk** - each academy earns interest on cash deposits. With interest rates currently low, the Governors of each local Governing Body consider action to increase the income from these deposits, whilst ensuring it does not jeopardise the liquidity or security of the academy's assets.

**Credit risk** - this arises from the possibility that amounts owed to the academies will not be repaid. Neither academies partakes in credit activities so is only exposed to credit risk as it arises from normal business. Credit risk is managed through the use of approved banks and the prompt collection of amounts due.

**Principal risks and uncertainties**

The main risks that each academy is exposed to are summarised below. For each of these risks the probability, impact and seriousness have been considered together with appropriate action and avoidance plans.

*Strategic and Reputational* - This covers unfavourable Ofsted reports, risk of uncontrollable events and insufficient demand for academy service. Competition from other schools with similar objects and little scope for differentiation. Also includes the capacity of existing buildings to deliver teaching and learning to students. The Rochester Grammar School, for example, is very close to maximum capacity and this may be a real issue linked to possible increases in 6th form pupils.

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**Principal risks and uncertainties - continued**

*Finance risk* - The risk of each academy not operating within its budget and running a deficit. Risks linked to income not increasing at the same rate of inflation (for example, especially for 6th form pupils at The Rochester Grammar School) over the coming years. There are also in connection with the deficit on the Local Government Pension Scheme, although the Trustees are comfortable with the current level of employer contributions the academies are required to pay.

**Reserves policy**

The Trustees review the reserve levels of the Academy Trust, and of each individual academy, on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Trustees have determined that the permitted level of free reserves for recurrent costs should be maintained in order 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.

**Financial position**

The Academy held fund balances at 31 August 2012 of £20,406,895.

These funds comprising restricted fixed asset funds of £21,233,242, other restricted funds of £36,246 and unrestricted funds of £641,407. There is also a pension reserve deficit of £1,504,000.

The only funds in deficit at 31 August 2012 are the Local Government Pension Scheme reserves. Employer contributions are reviewed every three years in consultation with the scheme's administrators, and employer contributions due by the academy have been fixed for the three years from 1 April 2011.

The deficit on each of the LGPS funds does not mean that an immediate liability crystallises. The deficits result in a cash flow effect for the academy in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore no direct impact on the free reserves of the Academy Trust because of recognising the deficits.

**Plans for future periods**

The Trustees' main plans for future periods are

- 1 The further development of the Academy Trust to include other "Thinking Schools",
- 2 Continuing support for City of Portsmouth Girls School through NLE deployment,
- 3 Develop aspects of both teaching school and thinking school initiatives, and
- 4 Consideration for the application of appropriate free schools.

**Disclosure of information to auditors**

In so far as the Trustees are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the Trustees have taken all the steps 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.

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**Auditors**

The auditors, UHY Hacker Young, have indicated their willingness to remain in office, and the audit process will be reviewed in detail and re-appointment of the auditors will be considered following the forthcoming Annual General Meeting

This report was approved by the Governing Body on 11-12-12 and signed on its behalf by

*P. V. Martin.*

Mr P Martin  
Chair

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**Governance Statement**

**Scope of responsibility**

The Directors acknowledge they have overall responsibility for ensuring that The RGS/AFS Thinking Schools Academy Trust 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 Ms D Shepherd, 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 agreements between The RGS/AFS Thinking Schools Academy Trust and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Directors any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. As noted in the Trustees' report the Academy Trust's organisational structure changed during the year when All Faith's joined the Trust on 1 June 2012. Since this date the Executive Committee of the Academy Trust has formally met once. Attendance at meetings of the Executive Committee was as follows:

Trustee	Meetings attended	Out of a possible
Mr P Martin (Chairperson)	1	1
Ms D Shepherd (Executive Principal)	1	1
Mrs H Taylor (appointed 8th May 2012)	1	1
Mrs S Earle	1	1
Mr D Morrison (appointed 8th May 2012)	1	1
Mr J O'Meara (appointed 8th May 2012)	1	1
Mrs A Savage	1	1
Mr D Scruton (appointed 8th May 2012)	1	1

The organisational structure of the Academy Trust changed on 8 May 2012 in anticipation of All Faith's joining the Trust on 1 June 2012. Prior to 8 May 2012 all of the local Governing Body of The Rochester Grammar School were Directors of the Academy Trust. In the year 1 September 2011 to 8 May 2012 the Full Governing Body met five times. Attendance at meetings during this year was as follows:

	Meetings attended	Out of a possible
Mr P Martin (Chairperson)	5	5
Ms D Shepherd (Executive Principal)	4	5
Mr G Batty	5	5
Mrs H Britten (Staff Governor)	4	5
Mrs J Corbyn	4	5
Mrs E Crockford	3	5
Mrs D Dimmick	5	5
Mrs S Earle (Responsible Officer)	5	5
Mr S Gardner (Principal)	4	5



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**Registered number:** 07359755  
**Governance Statement**

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Attendance at Full Governing Body meetings - continued

	Meetings attended	Out of a possible
Mr R Hill	4	5
Canon J Kerr	3	5
Prof T Luckhurst	4	5
Mr P Miller	5	5
Dr S Pattnayak	4	5
Mrs C Ransom (Staff Governor)	5	5
Mr P M A Thompson (Vice Chair)	5	5
Mrs A Savage	5	5

Each academy has their own independent Finance Committee acting as a sub-committee of their Local Governing Body. The purpose of the Finance Committees is to assist the decision making of their Local Governing Body, by enabling more detailed consideration to be given to the best means of fulfilling the Governing Body's responsibility to ensure sound management of the school's finances and resources, including proper planning, monitoring and probity.

The intention moving forward is for the two independent Finance Committees to report to the Executive Committee meetings three times each year. The Executive Committee will then monitor the overall position of the Academy Trust, using the information provided separately for the two schools as a platform to discuss other financial issues. Since All Faiths' School joined the Academy Trust relatively late in the 2011/12 academic year this strategy has not been fully implemented by 31 August 2012.

Attendance at the local Finance Committee meetings in the year was as follows

*Rochester Grammar School*

	Meetings attended	Out of a possible
Mr S Gardner (Principal)	4	4
Mr R Hill	2	4
Mr P Martin (Chair of Governors & Chair of Finance)	4	4
Ms D Shepherd (Executive Principal)	0	4
Mr B Ingram (Business Manager)	4	4

*All Faiths' School*

All Faiths' did not hold any Finance Committee meetings during the period 1 June 2012 to 31 August 2012 because the Summer Term meeting had already taken place prior to conversion to academy status. A meeting has since been held at the beginning of the Autumn Term.

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**

**Registered number:** 07359755

**Governance Statement**

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**The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The RGS/AFS Thinking Schools Academy Trust for the year ended 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 ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year 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.

**Risk and control framework**

The Academy Trust'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 Trustees and local Governing Bodies,
- regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- 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 Trustees and local Governing Bodies have considered the need for a specific internal audit function and have decided not to appoint an internal auditor. However, the Trustees have appointed Mrs S Earle, a Governor at The Rochester Grammar School, as Responsible Officer ('RO') at Rochester Grammar School, and have engaged the external auditors, UHY Hacker Young, as RO for All Faiths' School. Each RO's role includes giving advice on financial matters and performing a range of checks on the academies' financial systems. On a quarterly basis, each RO reports to the local Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

During the year ended 31st August 2012 the RO function has been fully delivered in line with the requirements of the Education Funding Agency.

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Registered number:** 07359755  
**Governance Statement**

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**Review of effectiveness**

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

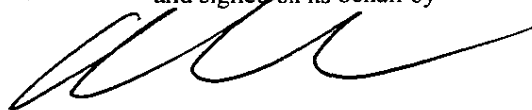
- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self assessment process,
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

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

This report was approved by the Governing Body on 11-12-2012 and signed on its behalf by



Mr P Martin  
Chair



Ms D. Shepherd (Executive Principal)  
Accounting Officer

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Statement on Regularity, Propriety and Compliance**

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As Accounting Officer of The RGS/AFS Thinking Schools 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, consisting of several loops and a long horizontal stroke at the end.

Ms D Shepherd (Executive Principal)  
Accounting Officer

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**

**Registered number:** 07359755

**Statement of Trustees' Responsibilities**

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The Trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for preparing the Trustees' 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 the Annual Accounts Direction 2011/12 issued by the Education Funding Agency

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

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 Academy Trust will continue in operation

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy Trust 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 Academy Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the Academy Trust 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 Young People's Learning Agency, Education Funding Agency and DfE have been applied for the purposes intended.

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

Approved by the Trustees on 11-12-12 and signed on their behalf by



Mr P Martin  
Chair

**The RGS/AFS Thinking Schools Academy Trust**  
**Independent auditors' report**  
**to the members of The RGS/AFS Thinking Schools Academy Trust**

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We have audited the accounts of The RGS/AFS Thinking Schools Academy Trust for the year ended 31 August 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

This report is made solely to the Academy Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and its members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Governors and auditors**

As explained on page 19 the Trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the 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 accounts. In addition, we read all the financial and non financial information in the Governors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the accounts**

In our opinion the accounts

- give a true and fair view of the state of the Academy's affairs as at 31 August 2012 and of its incoming resources and application of resources for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

**The RGS/AFS Thinking Schools Academy Trust**  
**Independent auditors' report**  
**to the members of The RGS/AFS Thinking Schools Academy Trust**

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**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' report for the financial year for which the accounts are prepared is consistent with the accounts

**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
- the accounts are not in agreement with the accounting records and returns, or
- certain disclosures of Trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*UHY Kent LLP*

Allan Hickie BSc ACA  
 (Senior Statutory Auditor)  
 for and on behalf of  
 UHY Kent LLP  
 Chartered Accountants and Statutory Auditors

Thames House  
 Roman Square  
 Sittingbourne  
 Kent ME10 4BJ

*18-12-2012*

## **The RGS/AFS Thinking Schools Academy Trust**

### **Independent Reporting Accountant's Assurance Report on Regularity to The RGS/AFS Thinking Schools Academy Trust and the Education Funding Agency**

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In accordance with the terms of our engagement letter dated and further to the requirements of the Education Funding Agency (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 year ended 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 RGS/AFS Thinking Schools Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The RGS/AFS Thinking Schools Academy Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The RGS/AFS Thinking Schools Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed

#### **Respective responsibilities of The RGS/AFS Thinking Schools Academy Trust's Accounting Officer and the Reporting Accountant**

The Accounting Officer is responsible, under the requirements of The RGS/AFS Thinking Schools Academy Trust's funding agreement with the Secretary of State for Education dated 1 November 2010 and 1 June 2011, together with the Academies Financial Handbook as published by DfES in 2006, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 August 2012 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them

#### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2011/12 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy Trust's income and expenditure



**The RGS/AFS Thinking Schools Academy Trust**

**Independent Reporting Accountant's Assurance Report on Regularity to  
The RGS/AFS Thinking Schools Academy Trust and the Education Funding Agency**

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Our work has included the following

- an assessment of the risk of material irregularity, impropriety and non-compliance relating to the academies' activities,
- reviewing the Financial Management and Governance Evaluation returns completed by the academies during the year,
- a review and assessment of internal controls, systems and policies in place at the academies,
- holding discussions with the Accounting Officer to determine how she has been able to make her declaration with regard to regularity and impropriety,
- substantive testing and analytical review procedures, as deemed necessary and as part of our standard external audit engagement and which can also be relied upon for this report on regularity, and
- requesting and receiving confirmation from the EFA that there is no information that they are aware of that may impact upon the planning and subsequent delivery of the regularity assurance engagement

**Conclusion**

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



Allan Hickie BSc ACA  
for and on behalf of  
UHY Kent LLP  
Chartered Accountants

18-12-2012

Thames House  
Roman Square  
Sittingbourne  
Kent ME10 4BJ

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Statement of Financial Activities for the year ended 31 August 2012**

**(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)**


	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2012 £	10 months to 31 August 2011 £
<b>Incoming resources</b>						
<i>Incoming resources from generated funds</i>						
- Voluntary income	3	40,426	-	-	40,426	27,997
- Transfer from Local Authority on conversion	3	67,726	(480,226)	4,327,183	3,914,683	16,323,240
- Activities for generating funds	4	551,036	167,145	-	718,181	497,066
Investment income	5	3,002	-	-	3,002	1,890
<i>Incoming resources from charitable activities</i>						
- Funding for the Academy's educational operations	6	-	5,583,421	77,868	5,661,289	4,272,201
<b>Total incoming resources</b>		<u>662,190</u>	<u>5,270,340</u>	<u>4,405,051</u>	<u>10,337,581</u>	<u>21,122,394</u>
<b>Resources expended</b>						
<i>Cost of generating funds</i>						
- Costs of activities for generating funds	7	39,183	165,172	-	204,355	225,126
<i>Charitable activities</i>						
- Academy's educational operations	8	255,061	5,350,846	158,485	5,764,392	4,292,894
Governance costs	9	8,217	196,423	-	204,640	176,673
<b>Total resources expended</b>		<u>302,461</u>	<u>5,712,441</u>	<u>158,485</u>	<u>6,173,387</u>	<u>4,694,693</u>
<b>Net incoming(outgoing) resources before transfers</b>						
		359,729	(442,101)	4,246,566	4,164,194	16,427,701
Gross transfers between funds	17	(43,536)	(151,041)	194,577	-	-
<b>Net incoming(outgoing) resources before other recognised gains and losses</b>		<u>316,193</u>	<u>(593,142)</u>	<u>4,441,143</u>	<u>4,164,194</u>	<u>16,427,701</u>
Actuarial (losses)gains on defined benefit pension schemes	22	-	(265,000)	-	(265,000)	80,000
<b>Net movement in funds</b>		<u>316,193</u>	<u>(858,142)</u>	<u>4,441,143</u>	<u>3,899,194</u>	<u>16,507,701</u>
Total funds brought forward at 1 September 2011		325,214	(609,612)	16,792,099	16,507,701	-
Funds carried forward at 31 August 2012		<u>641,407</u>	<u>(1,467,754)</u>	<u>21,233,242</u>	<u>20,406,895</u>	<u>16,507,701</u>

The Academy Trust's activities derive from a combination of continuing operations and acquisitions in the current year, and further details are provided in note 26

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Balance Sheet as at 31 August 2012**

	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	13	21,233,242	16,792,099
<b>Current assets</b>			
Stocks	14	1,506	2,057
Debtors	15	490,565	201,727
Cash at bank and in hand		697,818	644,189
		<u>1,189,889</u>	<u>847,973</u>
<b>Creditors: amounts falling due within one year</b>	16	(512,236)	(423,371)
<b>Net current assets</b>		<u>677,653</u>	<u>424,602</u>
<b>Net assets excluding pension liability</b>		<u>21,910,895</u>	<u>17,216,701</u>
<b>Provisions for liabilities</b>			
Pension scheme liabilities	22	(1,504,000)	(709,000)
<b>Net assets including pension scheme liabilities</b>		<u>20,406,895</u>	<u>16,507,701</u>
<b>Funds of the academy</b>			
<i><b>Restricted funds</b></i>			
- Fixed asset funds	17	21,233,242	16,792,099
- General Annual Grant funds	17	9,376	99,388
- Pension reserves	17	(1,504,000)	(709,000)
- Other restricted funds	17	26,870	-
<b>Total restricted funds</b>		<u>19,765,488</u>	<u>16,182,487</u>
<i><b>Unrestricted funds</b></i>			
- General funds		<u>641,407</u>	<u>325,214</u>
<b>Total unrestricted funds</b>		<u>641,407</u>	<u>325,214</u>
<b>Total funds</b>	17	<u>20,406,895</u>	<u>16,507,701</u>

The financial statements were approved by the Governors, and authorised for issue on 11-12-2012 and are signed on their behalf by



Mr P Martin  
Chair

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Cash Flow Statement**  
**for the year ended 31 August 2012**

		<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Net income		4,164,194	16,427,701
Depreciation	13	158,485	108,112
Cash impact of transfer on conversion		-	(214,440)
Capital grants and other capital income		(4,405,051)	(16,883,695)
Interest receivable	5	(3,002)	(1,890)
FRS 17 pension cost less contributions payable	22	(9,000)	9,000
FRS 17 pension finance income	22	36,000	27,000
Decrease/(increase) in stocks		551	(2,057)
Increase in debtors		(288,838)	(201,727)
Increase in creditors		88,865	423,371
Inherited pension scheme deficit	26	503,000	753,000
<b>Net cash inflow from operating activities</b>		<b>245,204</b>	<b>444,375</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow from operating activities</b>		<b>245,204</b>	<b>444,375</b>
<b>Returns on investments and servicing of finance</b>	20	<b>3,002</b>	<b>1,890</b>
<b>Capital expenditure</b>	20	<b>(194,577)</b>	<b>(16,516)</b>
<b>Cash transferred on conversion to an academy trust</b>		<b>-</b>	<b>214,440</b>
<b>Increase in cash</b>		<b>53,629</b>	<b>644,189</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the period		53,629	644,189
<b>Change in net debt</b>	21	<b>53,629</b>	<b>644,189</b>
<b>Net funds at 1 September</b>		<b>644,189</b>	<b>-</b>
<b>Net funds at 31 August</b>		<b>697,818</b>	<b>644,189</b>

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Notes to the Accounts**  
**for the year ended 31 August 2012**

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**1 Accounting policies**

***Basis of preparation***

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of recommended Practice Accounting and Reporting by Charities' (SORP 2005), the Academies Accounts Direction issued by the 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 academy status***

The conversion of All Faith's Children's Community School 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 All Faith's Children's Community School to the 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 the academy trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 26.

***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**

***Grants receivable***

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

***Donations***

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

***Other income***

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

***Donated services and gifts in kind***

The value of donated services and gifts in kind provided to the 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 RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Notes to the Accounts**  
**for the year ended 31 August 2012**

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**1 Accounting policies - continued**

**Resource expended:**

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

- *Costs of generating funds* - these are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds
- *Charitable activities* - these are costs incurred on the 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 and depreciation**

Assets costing £500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the 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, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold buildings	over 125 year term of the lease
Fixtures, fittings and equipment	15-25%
ICT equipment	33.33%

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.

**Stocks**

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

**Leasing commitments**

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

**The RGS/AFS Thinking Schools Academy Trust**  
**(formerly known as The Rochester Grammar School Academy Trust)**  
**Notes to the Accounts**  
**for the year ended 31 August 2012**

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**1 Accounting policies - continued**

***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 note 22 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.

The 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.

***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 Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed 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 Education Funding Agency.

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**2 General Annual Grant (GAG)**

	<b>Rochester</b>	<b>All Faiths'</b>	<b>Total</b>	<b>Total</b>
	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2011 (10m)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
<b>a Results and carry forward for the period</b>				
GAG brought forward from previous year	99,388	-	99,388	-
GAG allocation for current period	5,138,289	335,415	5,473,704	4,119,177
<b>Total GAG available to spend</b>	<b>5,237,677</b>	<b>335,415</b>	<b>5,573,092</b>	<b>4,119,177</b>
Recurrent expenditure from GAG	(5,101,566)	(311,109)	(5,412,675)	(4,230,326)
Fixed assets purchased from GAG	(179,647)	(14,930)	(194,577)	(16,516)
Other transfers to/(from) GAG (see note 17)	43,536	-	43,536	227,053
<b>GAG carried forward to next year</b>	<b>-</b>	<b>9,376</b>	<b>9,376</b>	<b>99,388</b>
Maximum permitted GAG carry forward at end of current period (12% allocation for current period)	(616,595)	(40,250)	(656,845)	(494,301)
<b>GAG to surrender to DfE/EFA</b> (12% rule breached if result is positive)	<b>(616,595)</b>	<b>(30,874)</b>	<b>(647,469)</b>	<b>(394,913)</b>
	no breach	no breach		no breach

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

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

Recurrent expenditure from GAG in current year	5,101,566	311,109	5,412,675
GAG allocation for current year	(5,138,289)	(335,415)	(5,473,704)
GAG allocation for previous year x 2%	(82,384)	-	(82,384)
<b>GAG b/fwd from previous year in excess of 2%, used on recurrent expenditure in current year</b>	<b>(119,107)</b>	<b>(24,306)</b>	<b>(143,413)</b>
	no breach	no breach	no breach

(2% rule breached if result is positive)



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**3 Voluntary income**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £	Total 2011 (10m) £
Fixed assets inherited on conversion	-	4,327,183	4,327,183	16,861,800
Transfer of other assets on conversion	67,726	22,774	90,500	214,440
LGPS pension liability inherited on conversion		(503,000)	(503,000)	(753,000)
Assets inherited on conversion (see note 26)	67,726	3,846,957	3,914,683	16,323,240
Other donations	40,426	-	40,426	27,997
	<u>108,152</u>	<u>3,846,957</u>	<u>3,955,109</u>	<u>16,351,237</u>

**4 Activities for generating funds**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £	Total 2011 (10m) £
School trips income	-	167,145	167,145	104,922
Catering income	196,442	-	196,442	144,784
Hire of facilities	14,270	-	14,270	9,053
Other income	340,324	-	340,324	238,307
	<u>551,036</u>	<u>167,145</u>	<u>718,181</u>	<u>497,066</u>

**5 Investment income**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £	Total 2011 (10m) £
Short term deposits	3,002	-	3,002	1,890
	<u>3,002</u>	<u>-</u>	<u>3,002</u>	<u>1,890</u>

**6 Funding for the academy's educational operations**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £	Total 2011 (10m) £
<b>DfE/EFA capital grant</b>				
Devolved capital grant	-	77,868	77,868	21,895
	<u>-</u>	<u>77,868</u>	<u>77,868</u>	<u>21,895</u>
<b>DfE/EFA revenue grants</b>				
General Annual Grant (GAG) (note 2)	-	5,473,704	5,473,704	4,119,177
Other DfE/EFA grants	-	21,740	21,740	-
	<u>-</u>	<u>5,495,444</u>	<u>5,495,444</u>	<u>4,119,177</u>
<b>Other Government grants</b>				
Other government grants	-	87,977	87,977	35,200
School Standards Funds	-	-	-	95,929
	<u>-</u>	<u>87,977</u>	<u>87,977</u>	<u>131,129</u>
	<u>-</u>	<u>5,661,289</u>	<u>5,661,289</u>	<u>4,272,201</u>

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**7 Resources expended**

	Staff Costs £	Non Pay Expenditure Premises £	Other Costs £	Total 2012 £	Total 2011 (10m) £
Costs of activities for generating funds	18,318	20,865	165,172	204,355	225,126
Academy's educational operations					
- Direct costs	3,893,314	150,561	305,014	4,348,889	3,368,602
- Allocated support costs	633,754	238,415	543,334	1,415,503	924,292
	4,527,068	388,976	848,348	5,764,392	4,292,894
Governance costs including allocated support costs	104,118	20,865	79,657	204,640	176,673
	4,649,504	430,706	1,093,177	6,173,387	4,694,693

**8 Charitable activities - academy's educational operations**

	Unrestricted Funds £	Restricted Funds £	Total 2012 £	Total 2011 (10m) £
<b>Direct costs</b>				
Teaching and educational support				
staff costs	-	3,893,314	3,893,314	3,024,363
Depreciation	-	150,561	150,561	102,706
Books, apparatus and stationery	2,312	101,901	104,213	66,643
Examination fees	-	137,852	137,852	122,787
Staff development	-	20,489	20,489	16,001
Other direct costs	-	42,460	42,460	36,102
	2,312	4,346,577	4,348,889	3,368,602
<b>Allocated support costs</b>				
Support staff costs	70,507	527,247	597,754	371,687
Depreciation	-	7,924	7,924	5,406
Recruitment and support	-	28,626	28,626	24,582
Maintenance of premises and equipment	-	115,498	115,498	117,557
Cleaning	-	12,060	12,060	4,390
Rent and rates	-	37,424	37,424	26,657
Heat and light	-	84,460	84,460	60,327
Insurance	-	48,594	48,594	34,602
Transport	-	1,184	1,184	6,260
Catering	122,820	4,230	127,050	-
Technology costs	-	123,112	123,112	91,974
Bank interest and charges	-	2,777	2,777	2,213
Defined benefit pension scheme finance costs	-	36,000	36,000	27,000
Other support costs	59,422	133,618	193,040	151,637
	252,749	1,162,754	1,415,503	924,292
	255,061	5,509,331	5,764,392	4,292,894

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**9 Governance costs**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total 2012</b>	<b>Total 2011 (10m)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Legal and professional fees	-	59,715	59,715	69,170
Auditor's remuneration				
- audit of financial statements	-	11,725	11,725	8,750
Support costs	-	124,983	124,983	98,753
Charitable expenditure	8,217	-	8,217	-
	<u>8,217</u>	<u>196,423</u>	<u>204,640</u>	<u>176,673</u>

**10 Staff costs**

Staff costs comprise during the year were	<b>2012</b>	<b>2011 (10m)</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,707,081	2,963,189
Social security costs	282,025	106,266
Pension costs	506,905	412,272
	<u>4,496,011</u>	<u>3,481,727</u>
Supply teacher costs	117,493	11,541
	<u>4,613,504</u>	<u>3,493,268</u>

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2012 expressed as full time equivalents was as follows

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
Teachers	76	66
Administration and support	74	38
Management	12	7
	<u>162</u>	<u>111</u>

The number of employees whose emoluments fell within the following bands (on a twelve month pro rata basis) was

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
£60,001 - £70,000	3	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£100,001 - £110,000	1	1

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2012 pension contributions for these staff amounted to £50,491 (2011 £23,633)

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**11 Governors' remuneration**

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 from the Academy Trust in respect of their role as Governors. The cumulative value of Principal and Staff Governors' remuneration in the year was £303,445.

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

**12 Governors and officers' insurance**

In accordance with normal commercial practice both individual schools purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business.

The Rochester Grammar School's insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2012 was £4,770 (2011 £5,715).

All Faith's Children's Community School's insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2012 was £1,164.

**13 Tangible fixed assets**

	Leasehold Land and buildings £	Furniture & equipment £	Computer equipment & software £	Total £
<b>Cost</b>				
At 1 September 2011	16,859,675	11,800	28,736	16,900,211
Inherited on conversion	4,277,083	36,300	13,800	4,327,183
Additions	186,806	22,991	62,648	272,445
At 31 August 2012	<u>21,323,564</u>	<u>71,091</u>	<u>105,184</u>	<u>21,499,839</u>
<b>Depreciation</b>				
At 1 September 2011	105,689	1,625	798	108,112
Charge for the year	134,760	5,756	17,969	158,485
At 31 August 2012	<u>240,449</u>	<u>7,381</u>	<u>18,767</u>	<u>266,597</u>
<b>Net book value</b>				
At 31 August 2012	<u>21,083,115</u>	<u>63,710</u>	<u>86,417</u>	<u>21,233,242</u>
At 31 August 2011	<u>16,753,986</u>	<u>10,175</u>	<u>27,938</u>	<u>16,792,099</u>

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<b>14 Stocks</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Catering	<u>1,506</u>	<u>2,057</u>
<b>15 Debtors</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Other debtors	247,972	70,677
Prepayments and accrued income	<u>242,593</u>	<u>131,050</u>
	<u>490,565</u>	<u>201,727</u>
<b>16 Creditors amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade creditors	94,969	88,796
Other taxes and social security costs	99,852	83,711
Other creditors	112,071	63,714
Accruals and deferred income	<u>205,344</u>	<u>187,150</u>
	<u>512,236</u>	<u>423,371</u>
<b>Deferred income</b>		
Deferred income at 1 September 2011	140,988	-
Resources deferred in the year	104,473	140,988
Amounts released from previous years	<u>(140,988)</u>	<u>-</u>
Deferred income at 31 August 2012	<u>104,473</u>	<u>140,988</u>

The deferred income above relates to income received for trips to take place in the 2011/12 academic year of £27,856 (2011 £80,878), grant money received in advance of £60,946 (2011 £31,622) and revenue of £15,671 (2011 £28,488) not yet expended in respect of the Rochester/Walderslade partnership funding

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**17 Funds**

	<b>1 September 2011</b>	<b>Incoming Resources</b>	<b>Resources Expended</b>	<b>Gains, losses &amp; transfers</b>	<b>Balance at 31 August 2012</b>
<b>Restricted general funds</b>					
<i>General Annual Grants (GAG) (note (i))</i>					
- Rochester Grammar School	99,388	5,138,289	(5,101,566)	(136,111)	-
- All Faith's	-	335,415	(311,109)	(14,930)	9,376
<i>Other DfE grants (note (ii))</i>					
- Rochester Grammar School	-	21,740	(21,740)	-	-
<i>Other government grants (note (iii))</i>					
- Rochester Grammar School	-	10,833	(10,833)	-	-
- All Faith's	-	99,918	(75,021)	-	24,897
<i>Pension Reserves (note (iv))</i>					
- Rochester Grammar School	(709,000)	-	(22,000)	(261,000)	(992,000)
- All Faith's	-	(503,000)	(5,000)	(4,000)	(512,000)
<i>School trips</i>	-	167,145	(165,172)	-	1,973
	<u>(609,612)</u>	<u>5,270,340</u>	<u>(5,712,441)</u>	<u>(416,041)</u>	<u>(1,467,754)</u>
<b>Restricted fixed asset funds (note (v))</b>					
<i>DfE/EFA capital grants</i>					
- Rochester Grammar School	16,421	72,955	(2,543)	-	86,833
- All Faith's	-	4,913	-	-	4,913
<i>Donated asset funds</i>					
- Rochester Grammar School	16,762,465	-	(126,877)	-	16,635,588
- All Faith's	-	4,327,183	(10,973)	-	4,316,210
<i>Capital expenditure from GAG</i>					
- Rochester Grammar School	13,213	-	(18,092)	179,647	174,768
- All Faith's	-	-	-	14,930	14,930
	<u>16,792,099</u>	<u>4,405,051</u>	<u>(158,485)</u>	<u>194,577</u>	<u>21,233,242</u>
<b>Total restricted funds</b>	<u>16,182,487</u>	<u>9,675,391</u>	<u>(5,870,926)</u>	<u>(221,464)</u>	<u>19,765,488</u>
<b>Unrestricted funds</b>					
- Rochester Grammar School	325,214	587,264	(299,900)	(43,536)	569,042
- All Faith's	-	74,926	(2,561)	-	72,365
<b>Total unrestricted funds</b>	<u>325,214</u>	<u>662,190</u>	<u>(302,461)</u>	<u>(43,536)</u>	<u>641,407</u>
<b>Total funds</b>	<u>16,507,701</u>	<u>10,337,581</u>	<u>(6,173,387)</u>	<u>(265,000)</u>	<u>20,406,895</u>

**Notes**

(i) General Annual Grant must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% of the current (GAG). Of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the Academy, but any balance over 2% must be used for capital purposes. The transfer for the Rochester Grammar School includes £43,536 transferred from the unrestricted fund to make up the deficit on GAG from the school's significant other income.

(ii) The other DfE/EFA grants fund is used to track non-GAG grants received from the EFA, the DfE or executive agencies of the DfE, and comprises entirely of Pupil Premium in the year.

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**17 Funds - continued**

(iii) The other government grants fund is used to track grants provided by other government departments. Income includes a Teaching School grant at Rochester Grammar School and funding received by All Faith's Children's Community School for their nursery and children's centre

(iv) The pensions reserve is a restricted fund to account for the liability arising under The Local Government Pension Scheme

(v) The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held. The gross transfers from the restricted general funds to the restricted fixed asset funds represents the total capital expenditure from each school's General Annual Grant (GAG) during the year

**18 Analysis of net assets between funds**

Fund balances at 31 August 2012 are represented by

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total
	£	£	£	£
Tangible fixed assets	-	-	21,233,242	21,233,242
Current assets	641,407	548,482	-	1,189,889
Current liabilities	-	(512,236)	-	(512,236)
Pension scheme liability	-	(1,504,000)	-	(1,504,000)
	<u>641,407</u>	<u>(1,467,754)</u>	<u>21,233,242</u>	<u>20,406,895</u>

**19 Other financial commitments**

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

	Land and buildings	Other	Total	Total
	2012	2012	2012	2011
	£	£	£	£
Operating leases which expire				
within one year	-	25,290	25,290	-
within two to five years	-	52,836	52,836	78,126
	<u>-</u>	<u>78,126</u>	<u>78,126</u>	<u>78,126</u>

**20 Gross cash flows**

	2012	2011
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	<u>3,002</u>	<u>1,890</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(272,445)	(38,411)
Capital grants from DfE/EFA	<u>77,868</u>	<u>21,895</u>
	<u>(194,577)</u>	<u>(16,516)</u>

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**21 Analysis of changes in net funds**

	At 1 Sep 2011	Cash flows	Non-cash changes	At 31 Aug 2012
	£	£	£	£
Cash at bank and in hand	644,189	53,629	-	697,818
Total	644,189	53,629	-	697,818

**22 Pensions and similar obligations**

The Academy Trust'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 Kent 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 year.

**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 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.

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 that real rate of return.

The Government Actuary ("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 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.



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**22 Pensions and similar obligations - continued**

The last 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 (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.

**Local Government Pension Scheme ("LGPS")**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2012 was £176,000 (2011: £129,000) of which employer's contributions totalled £135,000 (2011: £100,000) and employees' contributions totalled £6,000 (2011: £29,000). The agreed contribution rates for future years are 21.3 per cent for employers and between 5.5 and 7.5 per cent for employees.

The major assumptions used by the actuary were

	At 31 August 2012	At 31 August 2011
Rate of increase in salaries	4.1%	4.9%
Rate of increase in pensions	1.9%	2.6%
Discount rate for scheme liabilities	3.9%	5.4%
Inflation assumption (CPI)	1.9%	2.6%

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**22 Pensions and similar obligations - continued**

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

	At 31 August 2012	At 31 August 2011
<i>Retiring today</i>		
Males	20.0	19.8
Females	24.0	23.9
<i>Retiring in 20 years</i>		
Males	22.0	21.9
Females	25.9	25.8

Both the discount rate applied on the defined benefit obligation and the mortality assumption are subject to a degree of subjectivity, and the following sensitivity analysis indicates the impact of a small change in either the discount rate or mortality assumptions

	£	£	£
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present value of total obligation	2,514,000	2,582,000	2,653,000
- Projected service cost	226,000	234,000	242,000
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
- Present value of total obligation	2,487,000	2,582,000	2,679,000
- Projected service cost	223,000	234,000	245,000

The Academy Trust's share of the assets and liabilities in the scheme and the expected rates of return were

	Expected returns at 31 August 2012	RGS Fair value at 31 August 2012	AFS Fair value at 31 August 2012	Total at 31 August 2012	Expected returns at 31 August 2011	Total at 31 August 2011
		£	£	£		£
Equities	5.9%	544,000	211,000	755,000	6.9%	429,000
Gifts	2.8%	8,000	3,000	11,000	3.8%	6,000
Bonds	3.9%	101,000	39,000	140,000	5.4%	82,000
Properties	3.9%	78,000	30,000	108,000	4.9%	53,000
Cash	0.5%	23,000	9,000	32,000	3.0%	18,000
Target return portfolio	4.4%	23,000	9,000	32,000		
<b>Total market value of assets</b>		<b>777,000</b>	<b>301,000</b>	<b>1,078,000</b>		<b>588,000</b>
Present value of scheme liabilities		(1,769,000)	(813,000)	(2,582,000)		(1,297,000)
<b>Deficit in the scheme</b>		<b>(992,000)</b>	<b>(512,000)</b>	<b>(1,504,000)</b>		<b>(709,000)</b>

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**22 Pensions and similar obligations - continued**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect 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 £81,000 (2011 £8,000)

**Amounts recognised in the Statement of Financial Activities**

	<b>RGS 2012 £</b>	<b>AFS 2012 £</b>	<b>Total 2012 £</b>	<b>Total 2011 £</b>
Current service cost (net of employee contributions)	112,000	23,000	135,000	101,000
Losses on curtailments and settlements	-	-	-	8,000
<b>Total operating charge</b>	<b>112,000</b>	<b>23,000</b>	<b>135,000</b>	<b>109,000</b>

**Analysis of pension finance income (costs)**

Expected return on employer's share of scheme	41,000	4,000	45,000	28,000
Interest on pension liabilities	(73,000)	(8,000)	(81,000)	(55,000)
<b>Pension finance income (costs)</b>	<b>(32,000)</b>	<b>(4,000)</b>	<b>(36,000)</b>	<b>(27,000)</b>

The actuarial gains and losses for the current year are recognised in the Statement of Financial Activities

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

	<b>RGS 2012 £</b>	<b>AFS 2012 £</b>	<b>Total 2012 £</b>	<b>Total 2011 £</b>
Opening defined benefit obligation	1,297,000	768,000	2,065,000	1,213,000
Movement in year				
Current service cost	112,000	23,000	135,000	101,000
Interest cost	73,000	8,000	81,000	55,000
Employee contributions	35,000	6,000	41,000	29,000
Actuarial loss/(gain)	294,000	8,000	302,000	(101,000)
Benefits paid	(42,000)	-	(42,000)	(8,000)
Curtailments and settlements	-	-	-	8,000
<b>At 31 August 2012</b>	<b>1,769,000</b>	<b>813,000</b>	<b>2,582,000</b>	<b>1,297,000</b>

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**22 Pensions and similar obligations - continued**

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

	<b>RGS 2012 £</b>	<b>AFS 2012 £</b>	<b>Total 2012 £</b>	<b>Total 2011 £</b>
Opening fair value of scheme assets	588,000	265,000	853,000	460,000
Expected return on assets	41,000	4,000	45,000	28,000
Actuarial gain/(loss)	33,000	4,000	37,000	(21,000)
Employer contributions	122,000	22,000	144,000	100,000
Employee contributions	35,000	6,000	41,000	29,000
Benefits paid	(42,000)	-	(42,000)	(8,000)
<b>At 31 August 2012</b>	<b>777,000</b>	<b>301,000</b>	<b>1,078,000</b>	<b>588,000</b>

The estimated value of employer contributions for the year ended 31 August 2013 is £199,000 (2011 £115,000)

**History of experience adjustments**

	<b>RGS 2012 £</b>	<b>AFS 2012 £</b>	<b>RGS 2011 £</b>	<b>AFS 2011 £</b>
Present value of defined benefit obligations	(1,769,000)	(813,000)	(1,297,000)	-
Fair value of share of scheme assets	777,000	301,000	588,000	-
<b>Deficit in the scheme</b>	<b>(992,000)</b>	<b>(512,000)</b>	<b>(709,000)</b>	<b>-</b>
Experience adjustments on share of scheme assets				
- Amount (£)	33,000	4,000	(21,000)	-

**23 Contingent liabilities**

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

**24 Ultimate controlling party**

Each academy is run by their respective management teams on a day to day basis. Strategic decisions for the Academy Trust are made by the Trustees with support from the local Governing Bodies. There is no ultimate controlling party.

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**25 Related parties**

No transactions were undertaken with the Trustees or Governors, or any businesses in which the Governors have business interests, during the year

The Academy Trust leases the Rochester Grammar School land and buildings from a related charity, Rochester Grammar School for Girls Charity, registration number 307839, at an annual peppercorn rent

The Academy Trust received a donation of £15,000 from The Rochester Grammar School Association in the year

**26 Conversion to an academy trust**

During the year all of the operations and assets and liabilities of All Faiths' Children's Community School were transferred to the Academy Trust from Medway 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 as net income in the Statement of Financial Activities as voluntary income

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

	Unrestricted Funds £	Restricted General Fund £	Restricted Fixed Asset Fund £	Total £
Tangible fixed assets				
- Leasehold land and buildings	-	-	4,277,083	4,277,083
- Other tangible fixed assets	-	-	50,100	50,100
LGPS pension deficit	-	(503,000)	-	(503,000)
Other identified assets and liabilities	67,726	22,774	-	90,500
Net assets/liabilities	<u>67,726</u>	<u>(480,226)</u>	<u>4,327,183</u>	<u>3,914,683</u>

The above net assets do not include any cash transferred on conversion. At 31 August the final balance to be transferred from the old Local Authority bank account had not been finalised and so an amount of £67,726 has been included in debtors for the amount expected to be received

On conversion to academy status the Academy Trust inherited the long term leasehold interest in the All Faiths' Children's Community School land and buildings from Medway Council. The risks and rewards of ownership having transferred to the Academy Trust, the land and buildings are included as a gift in kind at their gross value to the academy as stated above. The value used was the insurance replacement cost

Other tangible fixed assets donated on conversion are shown within furniture and equipment and computer equipment, and have been included at a total value of £50,100 based on the Trustees' estimate of their gross value to the Academy Trust

The LGPS pension deficit has been included using the opening deficit on a FRS 17 basis, as calculated by an appropriately qualified actuary

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**26 Conversion to an academy trust - continued**

Due to the transfer of operations and assets and liabilities of All Faiths' Children's Community School into the Academy Trust during the year the trust's activities derive from a mixture of continuing and acquired operations

The split between continuing and acquired operations, using the main headings of the Statement of Financial Activities, is as follows

	<b>Continuing Operations</b>	<b>Acquired Operations</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Total incoming resources	5,998,227	4,339,354	10,337,581
Total expended resources	(5,768,723)	(404,664)	(6,173,387)
Actuarial (losses)gains on defined benefit pension schemes	(261 000)	(4,000)	(265,000)
<b>Net movement in funds per SOFA</b>	<b>(31,496)</b>	<b>3,930,690</b>	<b>3,899,194</b>