

LANCASTER ROYAL GRAMMAR SCHOOL
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2014

Company Number: 07469330

Company Limited by Guarantee

*Registration Number:
07469330 (England and Wales)*

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Lancaster Royal Grammar School

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Lancaster Royal Grammar School

Reference and Administrative Details

Trustees

Mr T Bargh *
Dr J Bentham *
Mr M Bevan
Mr R Burgess *
Mr D Cameron *
Mr R Furlong-Brown
Prof A Guenault *
Mr R Hitchings
Mr J Holland *
Mrs E Lund *
Mrs G Manklow * (Chair of
Governors and Academy Trust)
Mrs J Mason
Dr H McKinney *
Mr A Neal
Dr C Pyle (Headteacher)
Mr H Roberts
Mr K Roberts
Mr A Royce (appointed 13th
November 2013)
Mrs M Sinclair
HHJ P Sycamore *

Those marked with an asterisk * are Members of the Academy Trust (for the purposes of the Companies Act, these are members of the Company).

The Governors are the Directors of the Academy Trust (for the purposes of the Companies Act) and the Trustees for the charitable activities of the school (for the purposes of the Charities Act). The Governors collectively comprise the Governing Body. It is the Governing Body which holds the responsibility for these accounts.

Company Secretary

Mr R Gittins

Senior Leadership Team

Mr M Buckland (Resigned 31st August 2014)
Mr M Chambers
Mr R Gittins (Clerk to the Governors and Academy Trust)
Mr J Hallsworth (appointed 1st September 2014)
Mr S Hirst
Dr C Pyle (Headteacher)
Dr D Rowe
Mr R Thomas
Mr I Whitehouse

Lancaster Royal Grammar School

Registered Office	East Road Lancaster LA1 3EF
Company Registration Number	07469330
Independent Auditor	Baker Tilly UK Audit LLP Chartered Accountants Bluebell House Brian Johnson Way Preston PR2 5PE
Bankers	Barclays Bank Plc 38 Market Street Lancaster LA1 1HR
Solicitors	Veale Wasborough Vizards Orchard Court Orchard Lane Bristol BS1 5WS

Lancaster Royal Grammar School

Trustees' Report

The Trustees present their annual report together with the financial statements and auditors' reports of the charitable company for the year ended 31 August 2014.

1. STRUCTURE, GOVERNANCE AND MANAGEMENT

1.1 Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The Trustees of Lancaster Royal Grammar School are also the directors of the charitable company for the purposes of company law. The charitable company is known as Lancaster Royal Grammar School. The Trustees also make up the Governing Body of the Academy and each Trustee is a Governor of the Academy.

Details of the Trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 3.

1.2 Members' Liability

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

1.3 Trustees' Indemnities

The Academy has purchased indemnity insurance to protect Trustees and officers of the Academy Trust from claims arising from negligent acts, errors or omissions occurring whilst on Academy business.

1.4 Principal Activities

The principal activity of the Academy is to carry on a selective state-funded school, principally for boys, known as Lancaster Royal Grammar School (independent of Local Authority control). The Academy will provide secondary education predominantly for boys aged 11-18 years old with a curriculum that satisfies legal requirements, that is balanced and broad. The pupils will be wholly or mainly drawn from the area in which the Academy is situated.

In addition, the Academy provides boarding accommodation to assist in its objective of providing education for its pupils.

The charge for the boarding to parents of the pupils concerned will not exceed the full cost of the Academy providing the board and lodgings.

Lancaster Royal Grammar School

Trustees' Report (continued)

1.5 Method of Recruitment and Appointment or Election of Trustees

The company's Articles of Association (Article 46) provide for the Trustees to be constituted as follows:

1. Up to 15 Trustees appointed by the Members
2. 3 staff Trustees, if appointed by the Members
3. Up to 1 Local Authority (LA) Trustee if appointed by the LA
4. 3 Parent Trustees
5. The Headmaster (an ex officio Trustee)
6. Up to 1 Co-opted Trustee appointed by the rest of the Trustees

1.6 Policies and Procedures Adopted for the Induction and Training of Trustees

Most of the Trustees appointed would be familiar with the work of the Academy, and would be asked to join the Trustee body if it was thought they could bring skills that would enhance the Academy's operations. The training and induction provided for new Trustees would depend on their existing experience. Where necessary, induction will provide training on charity, educational, legal and financial matters. All new Trustees will be provided with a tour of the Academy and given the opportunity to meet staff and pupils. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will require to fulfil their role as a Trustee. As there are only one or two new Trustees in any year, induction tends to be done informally and tailored to the specific individual.

1.7 Organisational Structure

The management structure consists of the Trustees, the senior leadership team, a complex array of middle managers and coordinators. The aim of the management structure is to devolve responsibility and encourage decision making at all levels of the Academy operations.

The Trustees are responsible for setting the overall strategic policy decisions of the Academy adopting an annual plan and budget forecasts, monitoring the results of the Academy by way of forecasts against the budgets and making the major decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The senior leadership team comprising the Headteacher, 2 Deputy Headteachers, 3 Assistant Headteachers, Bursar and Business Controller control the Academy at a day to day level, implementing the policies that have been agreed by the Trustees and then reporting back to them.

1.8 Risk Management

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy and its finances. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to major risks.

1.9 Connected Organisations including Related Party Relationships

The Academy Members are also the same Members as those of the Lancaster Royal Grammar School Charity, registered number 526602. The purpose of this charity is to assist the Trustees in the running of the Academy

Details of transactions between the two entities are included within note 21 in the financial statements.

Lancaster Royal Grammar School

Trustees' Report (continued)

2. OBJECTIVES AND ACTIVITIES

2.1 Objects and aims

The Academy Trust's principal object is specifically restricted to the advance for public benefit of education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

In accordance with the funding agreement dated 15 April 2011, made under Section 1 of the Academies Act 2010 between the Secretary of State for Education and the Academy Trust, the Academy is governed by a board of Trustees which exercises its powers and functions with a view to fulfilling a largely strategic role in the running of the school. The funding agreement specifies the admission arrangements, amongst other items, and that the curriculum, in substance, complies with the statutory requirements of Section 78 Education Act 2002.

The main objectives of the Academy during the year ended 31st August 2014 are summarised below

- to encourage the highest standards of personal and corporate behaviour
- to promote the highest standards of academic achievement
- to foster a sense of community within the school in which each individual's contribution is valued
- to instil a respect for knowledge and the means by which it may be acquired
- to promote the development of individual skills in such areas as:
 1. the use of language;
 2. numeracy;
 3. reasoning;
 4. problem solving;
 5. scientific investigation;
 6. the expressive and creative arts;
 7. the use of information technology;
 8. interpersonal relationships, management, leadership and organisation;
 9. the co-ordination of body and mind essential to the development of physical skills.
- to ensure that all pupils, irrespective of background or ability, are exposed to the following areas:
 1. fluent and accurate use of English and at least one other language;
 2. mathematical, scientific and technical methods;
 3. the appreciation of artistic, creative and aesthetic talents;
 4. the knowledge and understanding of mankind and the world in which we live;
 5. an appreciation of our cultural heritage, human achievements and aspirations.
- to provide vocational guidance and advice to pupils to assist them to make informed, realistic decisions about future opportunities.
- to encourage respect for religious and moral values, respect for others and, above all, self respect.

It is the Trustees' view that if the Academy succeeds in putting these aims into practice, pupils will feel at home in the complex and rapidly changing world of the future and will be able to contribute fully to the community and society of which they will be a part.

Lancaster Royal Grammar School

Trustees' Report (continued)

2.2 Objectives, Strategies and Activities

The Academy's main strategy is to raise the standards of achievement through a continued focus on improvement of all aspects of the Academy. The core purpose of the Academy is the teaching and learning of its pupils. Resources are consistently and regularly measured by the contribution they make to the overall quality of teaching and learning, and therefore the standards that the pupils achieve.

In addition to its educational aims for its pupils, the Academy will also aim:

- to ensure that every pupil enjoys a high standard of extra-curricular opportunity and pastoral care
- to be at the heart of the Lancaster community, promoting community cohesion and sharing facilities with other schools and the wider community
- to provide for the efficient use of money and funds expended
- to continually improve the effectiveness of the Academy by keeping key aspects such as the curriculum, pastoral support and management structure under review
- to conduct the Academy's business in an open, effective manner, with the highest standards of integrity and openness.

In order to support the Academy in these aims, the Academy will evaluate, manage and maintain:

- a clear organisational structure of governance which allows staff and pupils to understand their roles in the Academy
- a review of staff performance and provision of necessary professional development
- robust quality assurance processes which are transparent and provide a basis for action plans
- appropriate structures to provide resources to support both staff and pupils in achieving their goals

2.3 Equal Opportunity Policy

The Trustees understand that it is important for good practice within the workplace, that equal opportunities should exist. The Academy aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

2.4 Public Benefit

The Governors have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Charities Commission in defining the strategic direction of the Academy.

Lancaster Royal Grammar School

Trustees' Report (continued)

STRATEGIC REPORT

3. ACHIEVEMENTS AND PERFORMANCE

3.1 Achievements and Performance

The Academy educates approximately 1,045 pupils aged from 11 to 18, including 170 boarders and a sixth form of around 340 pupils. Each year it aims to recruit 112 day pupils and 30 boarders into Year 7. Approximately 40-50 pupils join the sixth form each year.

2013-14 was another strong year for the Academy's examination results. At A2, 23.5% of all subject entries received the top A* grade which is the School's best ever result on that measure and 78.2% of all exams received grade B or above; a result that has only been bettered once in any previous year.

At AS level, 39.1% of all AS entrants received A grades, the A+B percentage figure was 60.9%.

At GCSE 59.2% of all entries were graded A* or A and 30.1% of all entries were awarded A* grades. Amongst the exceptional individual results, 34 students gained seven or more A* grades. Three students gained ten A* grades and three students gained an outstanding eleven A* grades.

The great majority of boys proceeded to higher education and gained places on competitive university courses. Sixteen boys were successful in obtaining places at Oxford or Cambridge.

The school's successes in extra-curricular activities are well documented on the website www.lrgs.org.uk. Of particular note were the following:

- Cricket: U13 cricket team Winners of 2014 Lancashire Cup
- Cricket: Joint winners of Royal Grammar Schools Festival 2014
- Rugby: Lancashire Champions U15
- Rugby: Giggleswick Sevens Champions U15
- Rugby: Finalists of U15 Warwick Sevens, U13 Stonyhurst Sevens and U12 Bradford Sevens
- Winners of Ernst & Young Arcade National Enterprise Competition
- 17 Gold Duke of Edinburgh Awards completed
- CCF Senior Boys National and Overall Cadet Team Orienteering Champions
- The pupils raised approximately £18,000 for charity

3.2 Going Concern

After making appropriate enquiries, the board of Trustees 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.

3.3 Key Financial Performance Indicators

The Academy complies with the terms and conditions of its funding agreement with the Secretary of State for Education dated 15 April 2011. The level of the General Annual Grant ('GAG') surplus as at 31 August 2014 is within the 12% limit stipulated in the agreement.

Lancaster Royal Grammar School

Trustees' Report (continued)

4. FINANCIAL REVIEW

4.1 Financial Review

The majority of the Academy's income is derived from the Education Funding Agency (EFA) in the form of annual grants, income in respect of boarding fees from parents of the boarders to the costs of running the boarding houses, and catering income. These sources of income are all shown within restricted funds in the Statement of Financial Activities.

During the period the General Annual Grant covered is expenditure with a carry forward surplus of £62,000. The boarding activities show the income has covered the costs and overall the cumulative carry forward on the boarding activities at the year end was £163,000.

The Lancaster Royal Grammar School Charity (Charity number 526602) gave donations during the accounting year to the Academy of £69,000.

At 31st August 2014 the net book value of fixed assets was £38,517,000 (2013: £38,599,000) and movements in tangible fixed assets are shown in note 11 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the Academy.

4.2 Financial and Risk Management Objectives and Policies

Other than the deficit on the Local Government Pension Scheme (for further details see note 20) the Trustees are of the view that the Academy Trust faces no material financial risk though any significant risk would be likely to arise from the 'Principal Risks and Uncertainties' detailed below.

4.3 Principal Risks and Uncertainties

Risks are prioritised using a consistent scoring system.

The risks to the Academy are those of sufficient funding being available to continue the operation.

In common with other schools, the principal risks and uncertainties of the Academy are:

- the availability of sufficient educational funding
- the deficit on the Local Government Pension Scheme
- the increasing maintenance requirements of the property estate
- Other uncertainties relating to such a
 - local demographics of school-age children
 - success dependent upon appropriately qualified staff and their ongoing training
 - increase in staff and overhead costs ahead of increases in funding levels from the DfE
 - performance of local major employers

4.4 Reserves Policy

The Trustees review the level of reserves in the Academy annually. This includes a review of all the expected income and expenditure streams, the need to match income with commitments and the nature of the reserves. The reserves on the GAG fund are dictated by the EFA rules on carry forward, and it is the Academy's aim to stay within the 2% unrestricted carry forward. The level of reserves is considered to be sufficient.

Lancaster Royal Grammar School

Trustees' Report (continued)

4.5 Investment Policy

Apart from the cash held for the operation of the Academy, Lancaster Royal Grammar School has no material investments. With respect to its cash holdings the Trustees have adopted a low risk strategy. The main current account held by the Academy is an interest bearing account.

5. PLANS FOR FUTURE PERIODS

Funding from the Academies Capital Maintenance Fund is continuing to fund renovation and renewal works at Old School House, the listed 1851 building in the historic heart of the school.

The Boarding Working Party is continuing in its review of the ways in which boarding is provided and promoted at the Academy.

6. AUDITORS

Baker Tilly UK Audit LLP were appointed as auditors during the year and have indicated its willingness to continue in office.

In so far as the Trustees are aware:

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

Approved by order of the board of Trustees on the 12/12/2014 and signed on its behalf by:



Mrs G Manklow
Chair of Trustees

Lancaster Royal Grammar School

Governance Statement

Scope of Responsibility

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

The board of Trustees has delegated the day-to-day responsibility to the Headteacher, who is the Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Lancaster Royal Grammar School and the Secretary of State for Education. They are also responsible for reporting to the board of Trustees 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 Trustee Responsibilities. The board of Trustees has formally met three times during the year. Meetings were attended by over 86% of eligible Trustees.

Mr A. Royce was appointed as a Parent Governor on 13th November 2013.

The finance committee is a sub-committee of the main board of Trustees and is chaired by a qualified and experienced accountant. Its purpose is to assist the decision making process of the Academy's 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 Academy's finances and resources. Five meetings were held during the year. These were attended by over 85% of eligible committee members.

The audit committee is a sub-committee of the main board of Trustees. Its purpose is to review the effectiveness of the Academy's corporate governance arrangements, risk management and systems for internal control. Its remit covers all significant risks to the Academy, both financial and reputational. The committee receives reports directly from the external auditors and Responsible Officer. Three meetings were held during the year. These were attended by 100% of eligible committee members.

The properties committee is a sub-committee of the main board of Trustees. Its purpose is to review the management, upkeep and development of the estate and to review health and safety policies and practice throughout the school for the benefit of all students, staff and visitors. Three meetings were held during the year. These were attended by over 76% of eligible committee members.

The personnel committee is a sub-committee of the main body of Trustees. Its purpose is to review issues concerning the development, well being and compliance with the human resource policies as they affect all employees at the Academy. It also has responsibility for the monitoring of child protection and safeguarding. Three meetings were held during the year. These were attended by over 80% of eligible committee members.

The pay committee is a sub-committee of the main body of Trustees. It is responsible for approving variations in the remuneration of all employees of the Academy. Two meetings were held during the year. These were attended by over 87% of eligible committee members.

Lancaster Royal Grammar School

Governance Statement (continued)

The curriculum committee is a sub-committee of the main body of Trustees. It is responsible for monitoring the effectiveness of the delivery of the education to the students in the Academy and of the provision of services to boarders. Three meetings were held during the year. These were attended by over 74% of eligible committee members.

Attendance during the year at meetings of the board of Trustees and sub-committee meetings was as follows:

Governor	Governing Body		Finance Ctte		Audit Ctte		Properties Ctte	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
Mr T Bargh	2	3					3	3
Dr J Bentham	3	3					2	3
Mr M Bevan	2	3					2	3
Mr R Burgess	2	3						
Mr D Cameron	3	3	4	5			3	3
Mr R Furlong Brown	3	3	5	5			3	3
Prof A Guenault	2	3						
Mr R Hitchings	3	3	1	5			1	3
Mr J Holland	3	3			3	3	1	3
Mrs E Lund	3	3	5	5			3	3
Mrs G Manklow	3	3	5	5			3	3
Mrs J Mason	3	3			3	3		
Dr NHM McKinney	3	3	4	5			3	3
Mr A Neal	2	3			3	3		
Dr C Pyle	3	3	5	5			3	3
Mr K Roberts	0	3						
Mr H Roberts	3	3	5	5			3	3
Mr A Royce	3	3	2	3			2	3
Mrs M Sinclair	3	3	5	5				
HHJ P Sycamore	3	3			3	3		
	52	60	41	48	12	12	32	39

Lancaster Royal Grammar School
Governance Statement (continued)

Governor	Personnel Ctte		Pay Ctte		Curriculum Ctte	
	Attended	Possible	Attended	Possible	Attended	Possible
Mr T Bargh						
Dr J Bentham					1	3
Mr M Bevan						
Mr R Burgess						
Mr D Cameron	3	3			3	3
Mr R Furlong Brown	3	3			2	3
Prof A Guenault	3	3	2	2	2	3
Mr R Hitchings	3	3			3	3
Mr J Holland	2	3			1	3
Mrs E Lund			1	2		
Mrs G Manklow	3	3	2	2	3	3
Mrs J Mason	2	3				
Dr NHM McKinney	1	3	2	2	2	3
Mr A Neal						
Dr C Pyle	3	3			3	3
Mr K Roberts						
Mr H Roberts	3	3				
Mr A Royce						
Mrs M Sinclair	3	3				
HHJ P Sycamore	0	3				
	29	36	7	8	20	27

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's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Academy for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of Trustees 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 board of Trustees 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 ended 31 August 2014 and up to the date of the approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

Lancaster Royal Grammar School

Governance Statement (continued)

The 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 board of Trustees;
- regular reviews by the finance committee of reports which indicate performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defining purchasing guidelines;
- delegation and segregation of duties;
- identification and management of risks.

The board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, in the year ending 31st August 2014 the Trustees appointed Colman, Whittaker & Roscow as responsible officer (RO). With effect from 1st September 2014 the Trustees have appointed Baker Tilly UK Audit LLP as RO. The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems, at least once a term. The RO reports to the board of Trustees on the operation of the systems of control and on the discharge of the board of Trustees' financial responsibilities. The RO has delivered their schedule of work as planned with no material control issues identified.

The Academy is following the directives of the Academies Financial Handbook as published by the EFA and a new Finance Manual and Scheme of Delegation were approved by the Trustees during the year.

Review of Effectiveness

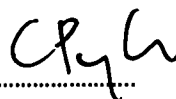
As accounting officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the responsible officer
- the work of the external auditor
- the financial management and self 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.

Approved by order of the members of the board of Trustees on the 12/12/2014 and signed on its behalf by:



Mrs G Manklow
Chair of Trustees




Dr C J Pyle
Accounting Officer

Lancaster Royal Grammar School
Statement on Regularity, Propriety and Compliance

As accounting officer of Lancaster Royal Grammar School I have considered my responsibility to notify the Academy Trust board of Trustees and the Education Funding Agency (EFA) 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 Board of Trustees 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.


.....
Dr C J Pyle
Accounting Officer

Date: 12/12/2014

Lancaster Royal Grammar School

Statement of Trustees' Responsibilities

The Trustees (who act as governors of Lancaster Royal Grammar School and are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

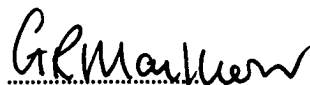
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures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

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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls which conform to the requirements both of propriety and good financial management. They are also responsible for ensuring that grants received from the Education Funding Agency and Department for Education have been applied for the purposes intended.

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

Approved by order of the members of the board of Trustees on the 12/12/2014 and signed on its behalf by:



Mrs G Manklow
Chair of Trustees

Lancaster Royal Grammar School

Independent Auditor's Report on the Financial Statements to the Governing Body of Lancaster Royal Grammar School

We have audited the financial statements of Lancaster Royal Grammar School for the year ended 31 August 2014 on pages 20 to 42. 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 Academies Accounts Direction 2014 issued by the Education Funding Agency.

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

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities, the governors (who act as Trustees for the charitable activities of the charitable company, and are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivateclient>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2014 issued by the Education Funding Agency.

Opinion on other requirement of the Companies Act 2006

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

Lancaster Royal Grammar School

Independent Auditor's Report on the Financial Statements to the Governing Body of Lancaster Royal Grammar School (continued)

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:

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

Karen Musgrave (Senior Statutory Auditor)
For and on behalf of

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Date: 15/12/14.

Lancaster Royal Grammar School

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 August 2014

Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2014 £000	Total 2013 £000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	2	-	109	-	109	619
. Activities for generating funds	3	10	329	-	339	378
<i>Incoming resources from charitable activities:</i>						
. Funding for the Academy's educational operations	4	-	5,081	252	5,333	5,740
. Provision of boarding activities (income)	22	-	1,500	-	1,500	1,458
Total incoming resources		10	7,019	252	7,281	8,195
Resources expended						
<i>Cost of generating funds:</i>						
Costs of generating voluntary income		-	9	-	9	450
<i>Charitable activities:</i>						
. Academy's educational operations	6	-	5,617	326	5,943	5,525
. Provision of boarding activities (costs)	22	-	1,395	-	1,395	1,796
<i>Governance costs</i>	7	-	63	-	63	24
Total resources expended	5	-	7,084	326	7,410	7,795
Net incoming resources before transfers						
		10	(65)	(74)	(129)	400
Gross transfers between funds	15	-	-	-	-	-
Net incoming resources before other recognised gains and losses		10	(65)	(74)	(129)	400
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	20	-	242	-	242	25
Net movement in funds		10	177	(74)	113	425
Total funds brought forward at 1 September 2013						
		15	(1,484)	38,646	37,177	36,752
Total funds carried forward at 31 August 2014	15	25	(1,307)	38,572	37,290	37,177

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

A statement of total recognised gains and losses is not required as all gains and losses are included in the statement of financial activities.

Lancaster Royal Grammar School
Balance Sheet at 31 August 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	11	38,517	38,599
		<u>38,517</u>	<u>38,599</u>
Current assets			
Stock	12	17	14
Debtors	13	533	526
Cash at bank and in hand		278	408
		<u>828</u>	<u>948</u>
Current liabilities			
Creditors: Amounts falling due within one year	14	(646)	(791)
Net current assets		<u>182</u>	<u>157</u>
Total assets less current liabilities		38,699	38,756
Net assets excluding pension liability		38,699	38,756
Pension scheme liability	20	(1,409)	(1,579)
Net assets including pension liability		<u>37,290</u>	<u>37,177</u>
Funds of the Academy:			
Restricted funds			
Fixed asset fund	15	38,572	38,646
General fund	15	102	95
Pension reserve	15	(1,409)	(1,579)
Total restricted funds		<u>37,265</u>	<u>37,162</u>
Unrestricted funds			
General fund	15	25	15
Total unrestricted funds		<u>25</u>	<u>15</u>
Total funds		<u>37,290</u>	<u>37,177</u>

The financial statements on pages 20 to 42 were approved by the governors on 12/12/2014 and signed on their behalf by:



Mrs G Manklow
Chair of Trustees
Company Number: 07469330

Lancaster Royal Grammar School
Cash Flow Statement for the year ending 31 August 2014

	2014 £000	2013 £000	
Reconciliation of net income to net cashflow from operating activities			
Net outgoing resources	(129)	(284)	
Depreciation and write off (note 11)	326	320	
Capital grants from DfE and Others	(252)	649	
FRS 17 pension cost less contributions payable (note 20)	20	(20)	
FRS 17 pension finance cost (note 20)	52	55	
Increase in stock	(3)	-	
(Increase)/decrease in debtors	(7)	277	
Decrease in creditors	(145)	(73)	
Net cash (outflow)/inflow from operating activities	(138)	924	
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(244)	(577)	
Capital grants from DfE and Others	252	-	
	8	(577)	
(Decrease)/Increase in cash in the period	(130)	347	
Reconciliation of net cashflow to movement in net funds			
Net funds at 1 September 2013	408	61	
Net funds at 31 August 2014	278	408	
Analysis of changes in net funds			
	At 31 August 2013 £000	Cash Flows £000	At 31 August 2014 £000
Cash in hand and at bank	408	(130)	278

Lancaster Royal Grammar School

PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2014

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with 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 EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going concern

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

Incoming resources

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

Grants receivable

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement its recognition is deferred and included in creditors as deferred income.

Donations

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

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Academy is recognised in the statement of financial activities as incoming resources and resources expended at their estimated value to the Academy in the period in which they are receivable, and where the benefit is both quantifiable and material.

On 15 April 2011, the Academy entered into a lease arrangement to lease the buildings on the school site. The buildings are leased from Lancaster Royal Grammar School Charity (Charity Number 526602) over a period of 125 years. All the buildings apart from the Boarding Facilities are for a peppercorn rental. The annual rental for the Boarding Facilities is a 12.5% charge against the boarding fees charged to pupils. The Charity has the right to waive such rental costs should it choose to do so. The buildings have been capitalised in the Academy at their insurance valuation per the 2011 policy.

Interest receivable

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

Lancaster Royal Grammar School
PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2014

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.

Resources expended

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

- **Charitable activities**

These are costs incurred on the Academy 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.

All resources expended are inclusive of irrecoverable VAT.

Fund accounting

General funds represent those resources which may be used towards meeting any of the objects of the Academy at the discretion of the governors.

Restricted funds comprise grants from the DfE and other donors which are to be used for specific purposes as explained in note 15.

Tangible fixed assets

Tangible fixed assets acquired since the Academy was established are included in the accounts at cost.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the Government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Assets costing less than £5,000 are written off in the year of acquisition. All other assets are capitalised.

Lancaster Royal Grammar School
PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2014

Depreciation

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

Long leasehold buildings	15 to 50 years straight line
Furniture and equipment	5 to 7 years straight line
Computer equipment and software	3 to 5 years straight line

Assets under construction are not depreciated until they have been brought into use.

Leased assets

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

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 and capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions

Academy staff are members of one of three pension schemes, two of which are defined benefit schemes and one defined contribution scheme. More details of the schemes are given in note 20.

Defined Benefit Schemes

Teachers' Pension Scheme

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

Local Government Pension Scheme

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

The Academy's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

Lancaster Royal Grammar School
PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2014

Defined contribution scheme

The Academy also operates a defined contribution scheme. The assets of this scheme are held separately from those of the Academy, being invested with insurance companies. The pension costs for the scheme represent the contributions payable by the Academy in the year.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

1 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the Academy Trust was subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The Academy Trust has not exceeded these limits during the year ended 31 August 2014.

2 Voluntary income	Unrestricted funds £000	Restricted funds £000	2014 Total £000	2013 Total £000
Private sponsorship	-	69	69	130
Trips and other donations	-	40	40	489
	-	109	109	619

3 Activities for Generating Funds	Unrestricted funds £000	Restricted funds £000	2014 Total £000	2013 Total £000
Hire of facilities	-	77	77	61
Catering income	-	185	185	229
Other income	10	67	77	88
	10	329	339	378

4 Funding for Academy's educational operations

	Unrestricted funds £000	Restricted general £000	Restricted fixed asset £000	Total 2014 £000	Total 2013 £000
DfE/EFA revenue grants					
General annual grant (GAG)	-	5,023	-	5,023	4,929
Capital grants	-	-	252	252	632
Other DfE/EFA grants	-	36	-	36	68
Other government grants					
Local authority grants	-	22	-	22	111
	-	5,081	252	5,333	5,740

Lancaster Royal Grammar School

NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

5 Resources Expended	Staff Costs £000	Premises £000	Other costs £000	Total 2014 £000	Total 2013 £000
Cost of generating voluntary income	-	-	9	9	450
Cost of boarding activities	740	256	399	1,365	1,796
Academy's educational operations					
- Direct costs	3,868	-	631	4,499	4,429
- Allocated support costs	564	796	84	1,444	1,096
	<u>5,172</u>	<u>1,052</u>	<u>1,123</u>	<u>7,347</u>	<u>7,771</u>
Governance costs including allocated support costs	-	-	63	63	24
	<u>5,172</u>	<u>1,052</u>	<u>1,186</u>	<u>7,410</u>	<u>7,795</u>

Incoming/outgoing resources for the year include:

	2014 £000	2013 £000
Fees payable to auditor – audit	8	5
– other services	<u>6</u>	<u>17</u>

The method used for the apportionment of support costs is disclosed in the accounting policies on page 24.

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

6 Charitable Activities – Academy’s educational operations

	Unrestricted funds £000	Restricted funds £000	2014 Total Funds £000	2013 Total Funds £000
Direct costs				
Teaching and educational support staff costs	-	3,868	3,868	3,820
Depreciation and write off	-	288	288	288
Educational supplies	-	159	159	188
Examination fees	-	135	135	121
Staff development	-	13	13	12
Technology costs	-	36	36	-
Other direct costs	-	-	-	-
	-	4,499	4,499	4,429
Educational support costs				
Support staff costs	-	564	564	522
Depreciation	-	38	38	32
Recruitment and other staff costs	-	22	22	15
Maintenance of premises & equipment	-	129	129	158
Cleaning	-	7	7	9
Rent and rates	-	93	93	60
Insurance	-	52	52	37
Security & transport	-	31	31	33
Catering	-	119	119	-
Energy costs	-	160	160	129
Other support and admin expenses	-	229	229	101
Total	-	1,444	1,444	1,096
	-	5,943	5,943	5,525

7 Governance costs

	Unrestricted funds £000	Restricted funds £000	2014 Total £000	2013 Total £000
Legal and professional fees	-	49	49	9
Auditors’ remuneration	-	8	8	5
- Audit of financial statements	-	6	6	10
- Other services	-	63	63	24

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

8 Staff Costs

Staff costs during the period were:	2014	2013
	Total	Total
	£000	£000
Wages and salaries	4,238	4,291
Social security costs	317	314
Other pension costs	594	596
	<u>5,149</u>	<u>5,201</u>
Supply teacher costs	23	7
	<u>5,172</u>	<u>5,208</u>

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

	2014	2013
Charitable Activities	No.	No.
Teachers	86	84
Administration and support	103	103
Management	8	7
	<u>197</u>	<u>194</u>

Three employees earned more than £60,000 per annum (including taxable benefits but excluding employers' pension contributions) during the year ended 31 August 2014. The total emoluments of these employees were in the following ranges:

	2014	2013
	No.	No.
£60,000 - £70,000	2	2
£80,001 - £90,000	1	1

All three of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2014, pension contributions for these staff amounted to £30,051 (2013: £29,472).

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

9 Governors' remuneration and expenses

The Principal and staff governors only receive remuneration in respect of services they provide under the roles of Principal and staff members and not in respect of services as governors. The value of Trustees' remuneration was as follows:

Dr C Pyle (Headteacher and Trustee)	£80,000 - £85,000 (2013: £80,000 - £85,000)
Mr R Furlong-Brown (staff Trustee)	£35,000 - £40,000 (2013: £35,000 - £40,000)
Mr R Hitchings (staff Trustee)	£40,000 - £45,000 (2013: £40,000 - £45,000)
Mrs M Sinclair (staff Trustee)	£30,000 - £35,000 (2013: £20,000 - £25,000)

During the period ended 31 August 2014, travel and subsistence expenses totalling £nil (2013: £nil) were reimbursed to governors.

Other related party transactions involving the Trustees are set out in note 21.

10 Governors' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2014 was included in the insurance cost for the year.

11 Tangible Fixed Assets

	Long Leasehold Land & Buildings £000	Furniture & Equipment £000	Total £000
Cost			
At 1 September 2013	39,327	17	39,344
Additions	217	27	244
At 31 August 2014	39,544	44	39,588
Depreciation			
At 1 September 2013	739	6	745
Charged in period	316	10	326
At 31 August 2014	1,055	16	1,071
Net book values			
At 31 August 2014	38,489	28	38,517
At 1 September 2013	38,588	11	38,599

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

12 Stock

	2014	2013
	£000	£000
Fuel	4	2
Stationery	13	12
	<u>17</u>	<u>14</u>

13 Debtors

	2014	2013
	£000	£000
Trade debtors	128	166
VAT recoverable	13	82
Other debtors	296	200
Prepayments and accrued income	96	78
	<u>533</u>	<u>526</u>

14 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	145	213
Other taxation and social security	89	99
Other creditors	228	194
Accruals and deferred income	184	285
	<u>646</u>	<u>791</u>

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

15 Funds

	At 31 August 2013 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	At 31 August 2014 £000
DfE/EFA Revenue Grants					
General Annual Grant (GAG)	37	5,023	(4,998)	-	62
Other DfE/EFA grants	-	36	(36)	-	-
Other restricted funds	58	1,960	(1,978)	-	40
	95	7,019	(7,012)	-	102
Pension Reserve	(1,579)	-	(72)	242	(1,409)
	<u>(1,484)</u>	<u>7,019</u>	<u>(7,084)</u>	<u>242</u>	<u>(1,307)</u>
Fixed asset funds					
DfE capital grants	877	252	(11)	-	1,118
Fixed assets donated on conversion	37,769	-	(315)	-	37,454
	<u>38,646</u>	<u>252</u>	<u>(326)</u>	<u>-</u>	<u>38,572</u>
Total restricted funds	<u>37,162</u>	<u>7,271</u>	<u>(7,410)</u>	<u>242</u>	<u>37,265</u>
Unrestricted funds					
Unrestricted funds	15	10	-	-	25
Total funds	<u>37,177</u>	<u>7,281</u>	<u>(7,410)</u>	<u>242</u>	<u>37,290</u>

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

Restricted general fund

This fund represents grants received for the Academy's operational activities and development.

Fixed asset fund

These grants relate to funding received from the DfE, EFA and private sponsors to carry out works of a capital nature as part of the School Building Project.

Other restricted funds

These funds relate to monies received from the local government, private sector and private sponsors to carry out works of a capital or revenue nature.

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

16 Analysis of net assets between funds

	Unrestricted general fund £000	Restricted general fund £000	Restricted fixed asset fund £000	Total 2014 £000	Total 2013 £000
Tangible fixed assets	-	-	38,517	38,517	38,599
Current assets	25	748	55	828	948
Current liabilities	-	(646)	-	(646)	(791)
Pension scheme liability	-	(1,409)	-	(1,409)	(1,579)
Total net assets	25	(1,307)	38,572	37,290	37,177

17 Capital commitments

	2014	2013
	£000	£000

Contracted for, but not provided in the financial statements	210	207
--	------------	------------

18 Contingent Liabilities

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

Upon termination of the Funding Agreement whether as a result of the Secretary of State or the Academy service 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.

19 Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member.

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. 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 2012. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation Of The Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

Lancaster Royal Grammar School

NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments (continued)

The new employer contribution rate for the TPS will be implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £404,899 (2013: £408,626).

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £273,000 (2013: £246,000), of which employer's contributions totalled £212,000 (2013: £191,000) and employees' contributions totalled £61,000 (2013: £55,000). The agreed contribution rates for future years are 18.9% per cent for employers and 6% per cent for employees.

FRS 17

Principal Actuarial Assumptions

	At 31 August 2014	At 31 August 2013
Rate of increase in salaries	3.6%	4.4%
Rate of increase for pensions in payment / inflation	2.1%	2.4%
Discount rate for scheme liabilities	3.9%	4.5%
Inflation assumption	2.1%	2.4%

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 2014	At 31 August 2013
<i>Retiring today</i>		
Males	22.8	22.1
Females	25.3	24.8
<i>Retiring in 20 years</i>		
Males	25.0	23.9
Females	27.7	26.7

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 August 2014 %	Value at 31 August 2014 £000	Long-term rate of return expected at 31 August 2013 %	Value at 31 August 2013 £000
Equities	7.0	818	7.0	847
Gilts	2.9	3	3.4	114
Bonds	3.8	438	4.4	341
Property	6.2	158	5.7	137
Cash	0.5	39	0.5	78
Other	7.0	189	7.0	136
Total market value of assets		1,645		1,653
Present value of scheme liabilities				
- Funded		(3,054)		(3,232)
Deficit in the scheme		(1,409)		(1,579)

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

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 period. The return 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 return on equities and property is then assumed to be a margin above gilt yields.

The actual return on the scheme assets in the period was £143,000 (2013: £180,000)

Lancaster Royal Grammar School

NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments (continued)

Total expenditure recognised in the Statement of Financial Activities

	2014	2013
	£000	£000
Current service cost	227	217
Curtailments	5	-
Total operating charge	<u>232</u>	<u>217</u>

Analysis of pension finance costs

Expected return on pension scheme assets	99	75
Interest on pension liabilities	<u>(151)</u>	<u>(128)</u>
Pension finance cost	<u>(52)</u>	<u>(53)</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2014	2013
	£000	£000
Actuarial gains/(losses) on scheme assets	(375)	-
Actuarial gains/(losses) on scheme liabilities	<u>617</u>	<u>25</u>
Total amount recognised in STRGL	<u>242</u>	<u>25</u>

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments (continued)

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

	2014	2013
	£000	£000
Scheme liabilities at 1 September	3,232	2,832
Current service cost	227	217
Interest cost	151	128
Employee contributions	61	55
Actuarial (gain)/loss	(617)	-
Benefits paid	(5)	-
Losses on curtailments	5	-
Scheme liabilities at 31 August	3,054	3,232

Movements in the fair value of the Academy's share of scheme assets:	2014	2013
	£000	£000
Fair value of scheme assets at 1 September	1,653	1,228
Expected return on scheme assets	99	75
Actuarial gain/(loss)	(375)	104
Employer contributions	212	191
Employee contributions	61	55
Benefits paid	(5)	-
Transfer from Local Authority	-	-
Fair value of scheme assets at 31 August	1,645	1,653

Movement in surplus/(deficit) during year	2014	2013
	£000	£000
Deficit in scheme at 1 September	1,579	1,604
Current service cost	227	217
Employer contributions	(212)	(191)
Net interest/return on assets	151	128
Actuarial gain or (loss)	(617)	-
Curtailment	5	-
Actual return	276	(179)
Deficit in scheme at 31 August	1,409	1,579

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

20 Pension Commitments (continued)

Amounts for the current and previous periods

	2014 £000	2013 £000
Defined benefit obligation at end of year	(3,054)	(3,232)
Fair value of plan assets at end of year	<u>1,645</u>	<u>1,653</u>
Deficit	<u>(1,409)</u>	<u>(1,579)</u>
Experience adjustments on Scheme assets	(375)	104
Experience adjustments on Scheme liabilities	595	-

Projected pension expense for the year to 31 August 2014 is £264,000.

It must be appreciated in accordance with the Charity Commission publication, 'Charity Reserves and Defined Pension Schemes' that where, under FRS 17, a charity discloses a significant pension fund deficit, this does not mean that an immediate liability for this amount crystallises. Similarly, where a pension surplus is disclosed this does not create an immediately realisable asset that can be released straight away and expended on the purposes of the charity. In particular, the disclosure of a pension liability does not mean that the equivalent amount is already committed and is no longer available to the Trustees to further the charity's objectives.

21 Related Parties

Owing to the nature of the Academy's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

In line with the Funding Agreement the Academy has a 125 year lease of the land and buildings from the Trustees of Lancaster Royal Grammar School, a separate charitable entity. No rent was payable to the Trustees of Lancaster Royal Grammar School during the period.

Transactions with the EFA are detailed in note 4.

Lancaster Royal Grammar School
NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2014

22 Academy Boarding Trading Account for the period ended 31 August 2014

	2014	2014	2013	2013
	£000	£000	£000	£000
Income				
Fee income		1,432		1,458
Other income		68		148
		<u>1,500</u>		<u>1,606</u>
Expenditure				
<i>Direct costs</i>				
Goods and services	223		179	
Total direct costs	<u>223</u>		<u>179</u>	
<i>Indirect costs</i>				
Staff costs	740		814	
Utilities	80		92	
Rent and rates	200		237	
Insurance	11		25	
Building maintenance	45		64	
Other indirect costs	96		140	
Total indirect costs	<u>1,172</u>		<u>1,372</u>	
Total operating costs		<u>1,395</u>		<u>1,551</u>
Surplus/(deficit) on boarding		105		55
Surplus/(deficit) brought forward		58		3
Surplus/(deficit) carried forward		<u>163</u>		<u>58</u>

Lancaster Royal Grammar School

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO LANCASTER ROYAL GRAMMAR SCHOOL AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 14 August 2014 and further to the requirements of the Education Funding Agency ('EFA') as included in the Academies Accounts Direction 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Lancaster Royal Grammar School during the period 1 September 2013 to 31 August 2014 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 Lancaster Royal Grammar School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Lancaster Royal Grammar School 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 Lancaster Royal Grammar School and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Lancaster Royal Grammar School accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Lancaster Royal Grammar School's funding agreement with the Secretary of State for Education and the Academies Financial Handbook extant from 1 September 2013, 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 2014. 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 period 1 September 2013 to 31 August 2014 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 2014 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.

Lancaster Royal Grammar School

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO LANCASTER ROYAL GRAMMAR SCHOOL AND THE EDUCATION FUNDING AGENCY

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

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 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Baker Tilly UK Audit LLP

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Date: 15/12/14.