

**KESWICK SCHOOL**  
**(A Company Limited by Guarantee)**

**REPORT AND FINANCIAL STATEMENTS**

**PERIOD ENDED 31 AUGUST 2012**

*Company Limited by Guarantee*

*Registration Number*  
*7664297 (England and Wales)*

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Keswick School

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## Reference and Administrative Details

### Governors

BOAL, MR G (Jeff)\*

BONIFACE, MRS J L (Jan)\*

BAILLE, Mr M (Marc) (appointed 6<sup>th</sup> July 2012)

\* = members of the Finance Committee

CHAPMAN, MR M (Mike) (Headteacher and Accounting Officer) (resigned 31st August 2012)\*

ETHERDEN, MR D (David)\*

FOWLER, PROF R S (Bob) (terms ends 31st August 2012)

HOLME, MRS G (Glenda)\*

HUGHES, MR S (Simon)

JACKSON, MR S (Simon) (Headteacher and Accounting Officer) (appointed 1st September 2012)\*

JEPSON, MRS T (Tanis)

LEIGH, MRS S (Sue)

MCDONALD, MS K (Kay)

PALMER, MS J (Jeronime)

PECK, MRS S (Sarah) *Chair*

REED, MR K (Ken)\*

ROBERTS, MRS K (Karen)\* (term ends 1st November 2012)

ROBINSON, MR D (David)

SAXTON, MRS J (Julie) (term ends 12th November 2012)

STATTER, MR M (Martin)\*

STEPHENSON, MRS J (June)

THROP, MR S (Steven)\*

WILSON, MRS AJ (Amanda)

Clerk to the Governors	SCOTT, MRS A (Annabel)
Clerk to the Trustees	RENNIE, MR T (Tom)
Registered Office	KESWICK SCHOOL VICARAGE HILL KESWICK CA12 5QB
Company Registration Number	7664297 (England and Wales)
Independent Auditors	RSM TENON AUDIT LIMITED SUMNER HOUSE ST THOMAS'S ROAD CHORLEY LANCASHIRE PR7 1HP
Bankers	HSBC MARKET SQUARE KESWICK CUMBRIA CA12 5QB

Solicitors

VEALE WASBROUGH VIZARDS  
ORCHARD COURT  
ORCHARD LANE  
BRISTOL  
BS1 5WS

Senior Leadership Team

CHAPMAN, MR M (Mike) (Headteacher and Accounting Officer Retired 31<sup>st</sup> August 2012)

JACKSON, MR S (Simon) (Headteacher and Accounting Officer appointed 1st September 2012)

GIBBIN MISS T (Tania) (Deputy Head appointed 1st September 2012)

RAILTON, MISS J (Julie) (Deputy Head appointed 1st September 2012)

JONES, MR A (Andrew) (Assistant Head appointed 1<sup>st</sup> September 2000)

WILSON, MRS J (Jill) (Assistant Head appointed 1st September 2012)

HADFIELD, MR N (Neil) (Acting Assistant Head appointed 1<sup>st</sup> September 2010)

MAIETTA, MISS M (Marisa) Administration Manager appointed January 2007)

## **Governors' Report**

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

## **Structure, Governance and Management**

### **Constitution**

The charitable company was incorporated on 9 June 2011

On 1 July 2011 the Keswick School converted to Academy trust status under the Academies Act 2010. All of the School's operations, assets and liabilities were transferred to the charitable company from this date.

The Academy is a company limited by guarantee with no share capital (registration no 7664297) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy. Members of the charitable company are nominated by either the Secretary of State for Education or by the Foundation, the registered charity "Keswick School". The articles of association require the members of the charitable company to appoint at least three governors to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy. Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 3.

### **Members' liability**

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

### **Governance**

The governors are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation.

Governors are subject to retirement by rotation but are eligible for re-election at the meeting at which they retire. The term of office for any Governor shall be 4 years, save that this time limit shall not apply to the Headteacher.

During the period under review the governors held 6 meetings. In addition, there was a full day's training event covering Governors' responsibilities and school developments. 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 the Academy 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 one or two new governors a year, induction tends to be done informally and is tailored specifically to the individual.

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim.

### **Organisational Structure**

During the period a management structure was introduced to help improve the way the Academy is run. The structure now consists of three levels: the Governors, The Senior Leadership Team and the Management 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 is the Headteacher, two Deputy Headteachers, three Assistant Headteachers and 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 Management Team always contain a Governor. Some spending control is devolved to members of the Management Team, with limits above which a Senior Manager must countersign.

The Management Team includes the Senior Leadership Team, the Heads of Year and the Heads of Curriculum Area. These managers are responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students.

### **Risk Management**

The Academy has undertaken further work during the period to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Academy's assets and reputation.

The Governors Finance Committee have tasked the Business Manager to undertake a comprehensive review of the risks to which the Academy is exposed on a monthly basis following a Monthly Compliance Checklist. This identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the Academy. The internal controls are then implemented and the subsequent month's appraisal will review the effectiveness and progress against risk mitigation actions. In addition to the monthly review, the Business Manager will also consider any risks which may arise as a result of a new area of work being undertaken by the Academy and report this to the Governors.

A risk register has been developed at the Academy level which is to be reviewed annually by the Finance Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Academy and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the Academy. Not all the factors are within the Academy's control. Other factors besides those listed below may also adversely affect the Academy.

### **Principal Risks and Uncertainties**

#### **1 Government funding**

The Academy has considerable reliance on continued government funding through the EFA. In 2011/12, 88% of the Academy's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the Academy is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the EFA

#### **2 Maintain adequate funding of pension liabilities**

The financial statements report the share of the pension scheme deficit on the Academy's balance sheet in line with the requirements of FRS 17.

#### **3 Maintaining student numbers**

This needs to be closely monitored in light of the predicted falling rolls in and out of catchment.

### **Connected Organisations, Including Related Party Transactions**

In so far as the Governing Body are aware:

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

RSM Tenon Audit Limited have been appointed as the charitable company's auditors during the period.



## **Strategic Direction**

### **Objects, aims and objectives for Public Benefit**

The principal object and activity of the charitable company is the operation of the Keswick School to advance, for the public benefit, education for students of different abilities between the ages of 11 and 19. The governors confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Academy's aims and objectives.

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

The main objectives of the Academy during the period 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 students,
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review,
- to provide value for money for the funds expended,
- to comply with all appropriate statutory and curriculum requirements,
- to maintain close links with industry and commerce, and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness.

### **Strategies and activities**

The Academy's main strategy is encompassed in its mission statement which is "Every student being given the right opportunities to be happy, confident and successful at School, leaving with the life skills and qualifications they need to enable them to have the opportunities they want in the future". 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,
- secondments and placing of students with industrial and commercial partners,
- a programme of sporting and after school leisure activities for all students,
- a system of student entitlement through mentoring including, achievement, tracking of progress, parental involvement, community assertiveness, opportunities,
- a careers advisory service to help students obtain employment or move on to higher education.

## **Equal opportunities and employment of disabled persons**

The Academy is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The Academy's Equality Policy is published on its Internet site.

The Academy considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Academy continues. The Academy's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by governors, the senior leadership and the management team.

## **Disability statement**

The Academy seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

- a) The Academy has appointed a SENCO, who provides information, advice and arranges support where necessary for students with disabilities.
- b) The Academy has made a significant investment in the appointment of specialist teachers and teaching assistants to support students with learning difficulties and/or disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- c) The Academy has appointed a School Nurse.

## **Performance against Objectives**

The Academy is in its first period of operation having commenced on 1<sup>st</sup> July 2011 and continues to achieve the forecast numbers of students. Total students in the year ended 31<sup>st</sup> August 2012 numbered 1,032 and the Academy has a full complement in all year groups.

Examination results for 2012 were very pleasing. At A and AS level candidates achieved an average of over 268 points per candidate (2011 average 292). There was a 99% pass rate (2011 = 95%) and 80% of grades were A-C (2011 = 72%). At GCSE 78.8% of grades were A-C (2011 = 80.3%) and 81.9% of students achieved 5 or more passes at this level (2011 = 76.4%).

To ensure that standards are continually raised the Academy operates a programme of lessons observations, is visited by inspectors, undertakes a comparison of results from entry to Key Stage 3 to GCSE and from GCSE to A level to assess the added value. The Academy also participates in national programmes looking at progress/value added through the key stages.

## **Financial objectives**

The Academy's financial objectives are

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the Academy's core competencies, and the need for a financial contribution to the Academy's overall finances
- to generate sufficient levels of income to support the asset base of the Academy
- to further improve the Academy's shorter term liquidity
- to fund continued capital investment

These objectives were achieved in the period ending 31 August 2012

## **Other Key Performance Indicators**

The following information highlights other areas of student performance in addition to the examination achievements shown above

- A total of 55 subjects were offered over all Key Stages In 2011-12 the school offer 23 different GCSE courses, and 2 BTECs for Year 11 students, and 21 A-Level courses and 1 BTEC courses for our Year 13 students There were also 25 different AS-Level courses on offer and three BTEC courses for our Year 12 students In addition Year 13s had the opportunity to take the EPQ (Extended Project Qualification)

- All year 10 students undertook a one week block of work experience in June 2012 The students enrolled on the one year sixth form course also completed one day per week work experience

- Destination of leavers 2011/12

Of the 173 leavers at the end of 2011/12

121 Stayed on to Keswick School 6<sup>th</sup> Form

5 were accepted for apprenticeships – employed

2 were accepted for apprenticeships (foundation) – employed

2 were accepted for apprenticeships (foundation) – not employed

6 were employed, 3 of whom have training to NVQ2, 2 with training not at NVQ2, 1 with no training

4 students left to live abroad

1 moved away to known activity

2 moved away to college outside Cumbria

3 moved away to unknown destination

20 have gone on to NAFE College

5 school leavers and 1 repeating the year

- There was a raft of community involvement – 370 pupils did voluntary work including sports leaders, helping with local and national charity fundraising, assistance with youth groups, with the elderly and disabled, as well as at sporting activities

- Staff continued to make the most of development opportunities with 2 staff completing CEL's 'Adding Leadership Value' course, 2 completing National College's 'Leadership Pathways' and 5 colleagues completing Cumbria's 'Good to Outstanding' programme (based on the national Outstanding Teacher Programme) Furthermore 2 staff completed the National College Facilitator assessment and went on to deliver MLDP 2 staff completed the MLDP programme and 1 CEL's 'Preparation for Leadership' course.

### **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.

## **Finance Review**

### **Financial report for the year**

Most of the Academy's income is obtained from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2012 and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the period ended 31 August 2012, total expenditure of £7,009,000 was more than covered by recurrent grant funding from the EFA together with other incoming resources. The excess of income over expenditure for the year was £9,892,000.

At 31 August 2012 the net book value of fixed assets was £9,004,000 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.

During the year under review there were one off transactions to facilitate the set up of the Academy and one compromise agreement.

SIMS	£32,491
Corero Financial Software	£14,634
Additional Accountancy Support	£18,099
Accountant's Costs	£15,680

### **Reserves policy and financial position**

#### ***Reserves policy***

The governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The governors have determined that an appropriate level of free reserves should be maintained. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The Academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £692,000 which is more than is needed.

#### ***Investment policy***

The Academy operates a treasury management policy to manage the Academy's cash flows banking, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

#### ***Financial position***

The Academy held fund balances at 31 August 2012 of £8,553,000 comprising £9,260,000 of restricted funds, £692,000 of unrestricted general funds and a pension reserve deficit of £1,399,000.

## **Plans for Future Periods**

The Academy will continue striving to improve the levels of performance of its students at all levels and will continue its efforts to ensure its students get jobs or a place in higher education once they leave.

The School Development Plan headings for 2012-13 aim to meet the needs of students, staff and the wider community

### *Academy*

Maintain our sense of community, traditional values and a desire to do things in our own way,  
Performance management and support staff appraisal to meet the new regulations,

### *Raising Standards*

5% improvement in progress and attainment across all groups of students  
Improve the use of assessment to support learning and progress  
Develop and embed literacy skills / strategies across the curriculum

### *Students*

Support all our students to become better independent and reflective learners  
Rigorous quality assurance process for all aspects of pastoral work

### *Parental Engagement*

Education recognised as three way partnership between pupils, teachers and parents

## **Post balance sheet events**

A new Headteacher took post on 1<sup>st</sup> September 2012 This was an internal appointment so the new Headteacher has a clear vision of how to take the school forward With this appointment there have also been the following new appointments

Two new Deputy Head teachers  
One new Assistant Head teachers  
Two Lead Teacher posts  
Data Assistant  
Sixth Form Learning Supervisor

Following the resignation of the Business Manager the school is reviewing the role of the Finance Manager and has a Consultant Advanced School Business Manager one day per week This has now been resolved following the appointment of a permanent Business Manager

## **Public Benefit, Sustainability, Social and Community Issues**

### **Public Benefit**

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

### **Sustainability**

The Academy is committed to sustainable development throughout all aspects of its operations. The Academy will continue to strive to meet or exceed the *Sustainable Development in Government* targets

In the past twelve months the Academy has improved its Display Energy Certificate (DEC) rating from F to D. By implementing energy saving initiatives, it is hoped to improve the rating further

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires academies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 September 2011 to 31 August 2012, the Academy paid 84.7 per cent of its invoices within 30 days. The Academy incurred no interest charges in respect of late payment for this period. This is below the target and is in part due to the change in financial software package. This will be monitored closely in 2012/13.

## Performance Indicators

The Academy is committed to observing the importance of performance indicators, to ensure that it continues to strive for both educational and financial excellence

In its recent inspection in July 2011, Ofsted concluded that the Keswick School was an 'Outstanding' school

Assessment	Inspection Grade
The effectiveness of leadership and management in embedding ambition and driving improvement	1
The effectiveness of the Governing Body in challenging and supporting the Academy so that weaknesses are tackled decisively and statutory responsibilities met	1
The effectiveness of the Academy's engagement with parents and carers	1
The effectiveness of partnerships in promoting learning and well-being	1
The effectiveness with which the Academy promotes equality of opportunity and tackles discrimination	1
The effectiveness of safeguarding procedures	1
The effectiveness with which the Academy promotes community cohesion	1
The effectiveness with which the Academy deploys resources to achieve value for money	1

Note Grade 1 is 'Outstanding' and Grade 2 is 'Good'

The Academy is also monitored through the completion of submissions to the EFA

- the Regularity Audit
- the Financial Plan for the period 2011 to 2014 to the EFA
- regular visits by the Responsible Officer



**Basis of Preparation of Financial Statements and Accounting Policies and Practices**

The financial statements have been prepared in accordance with the accounting policies set out on pages 30 to 33 and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005

In so far as the Governing Body are aware

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

RSM Tenon Audit Limited have been appointed as the charitable company's auditors during the period

The financial statement auditors, RSM Tenon Ltd, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting

The report of the governors was approved by the governors on 26/11/12 and signed on their behalf by.



**Mr Jeff Boal,  
Vice Chair of Governors**

## **Governance Statement**

### **Scope of Responsibility**

As governors, we acknowledge we have overall responsibility for ensuring that Keswick School 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 the Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Keswick Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the governing body and material weaknesses or breakdowns in internal control.

### **Governance**

The information on governance included here supplements the information above. The governing body formally met 10 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governors	Meetings attended	Out of a possible
BOAL, MR G (Jeff)*	5	10
BONIFACE, MRS J L (Jan)*	6	10
BAILLE, Mr M (Marc)	1	10
CHAPMAN, MR M (Mike) (resigned 31 <sup>st</sup> August 2012)*	5	10
ETHERDEN, MR D (David)*	5	10
FOWLER, PROF R S (Bob) (term ends 31 <sup>st</sup> August 2012)	8	10
HOLME, MRS G (Glenda)*	9	10
HUGHES, MR S (Simon) (appointed 1 <sup>st</sup> September 2012)*	9	10
JACKSON, MR S (Simon) (appointed 1 <sup>st</sup> September 2012)*	7	10
JEPSON, MRS T (Tanis)	9	10
LEIGH, MRS S (Sue)	7	10
MCDONALD, MS K (Kay)	8	10
PALMER, MS J (Jeronime)	3	10

**Governors**

	Meetings attended	Out of a possible
PECK, MRS S (Sarah) Chair	9	10
REED, MR K (Ken)*	10	10
ROBERTS, MRS K (Karen)* (term ends 1 <sup>st</sup> November 2012)	3	10
ROBINSON, MR D (David)	7	10
SAXTON, MRS J (Julie) (term ends 12 <sup>th</sup> November 2012)	10	10
STATTER, MR M (Martin)*	10	10
STEPHENSON, MRS J (June)	7	10
THROP, MR S (Steven)*	9	10
WILSON, MRS A J (Amanda)	9	10

The Finance Committee is a sub-committee of the main governing body. Its purpose is to assist the decision making of the 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, including proper planning, monitoring and probity. Attendance at meetings in the year was as follows.

Governors	Meetings attended	Out of a possible
BOAL, MR G (Jeff)*	8	9
BONIFACE, MRS J L (Jan)*	4	9
CHAPMAN, MR M (Mike) (resigned 31 <sup>st</sup> August 2012)*	6	9
ETHERDEN, MR D (David)*	6	9
HOLME, MRS G (Glenda)*	9	9
JACKSON, MR S (Simon) (appointed 1 <sup>st</sup> September 2012)*	3	9
REED, MR K (Ken)*	7	9
ROBERTS, MRS K (Karen)* (term ends 1 <sup>st</sup> November 2012)	2	9
STATTER, MR M (Martin)*	8	9
THROP, MR S (Steven)*	9	9

## **Risk Management**

The governors have assessed the major risks to which the charitable company is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The governors have implemented a number of systems to assess risks that the 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. They are satisfied that these systems are consistent with guidelines issued by the Charities Commission. The Academy has an effective system of internal financial controls and this is explained in more detail in the following statement.

### **Statement on the System of Internal Financial Control**

#### *Scope of responsibility*

As governors, we acknowledge we have overall responsibility for the Academy's system of internal financial control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Headteacher, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Academy's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Keswick School and EFA. He is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Keswick School for the year ended 31 August 2012 and up to the date of approval of the annual report and accounts.

#### *The risk and control framework*

The Academy's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the governing body,
- regular reviews by the Finance 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

In addition, the governors have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although it is not mandatory for the Academy it should, as a publicly funded body, adopt these guidelines as best practice. Accordingly they have:

- set policies on internal controls,
- clarified the responsibility of the Management Team to implement the governors' policies and to identify and evaluate risks for the governors' consideration;
- explained to employees that they have responsibility for internal control as part of their accountability for achieving objectives,
- embedded the control system in the Academy's operations so that it becomes part of the culture of the Academy;
- developed systems to respond quickly to evolving risks arising from factors within the Academy and to changes in the external environment, and
- included procedures for reporting failings immediately to appropriate levels of management and the governors together with details of corrective action being undertaken

The Governing Body has considered the need for a specific internal audit function and has decided to appoint an internal auditor. The governors have appointed RSM Tenon Ltd as Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. As permitted by the YPLA Financial Handbook for Academies, this task has been outsourced to the external auditors. On a termly basis the external auditors report to the governing body on the operation of the systems of control and on the discharge of the RO's financial responsibilities.

#### *Review of effectiveness*

As Accounting Officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by

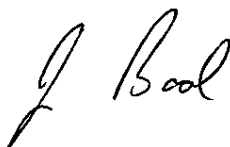
- the work of the responsible officer
- the work of the senior leadership team within the Academy who have responsibility for the development and maintenance of the internal control framework
- comments made by the Academy's financial statements auditors in their management letters and other reports

The Headteacher has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Finance Committee, which oversees the work of the responsible officer, and a plan to address weaknesses and ensure continuous improvement of the system is in place

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Finance Committee also receive regular reports from the responsible officer, which include recommendations for improvement. The Finance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Approved by order of the members of the Governing Body on *26-11-2012* and signed on its behalf by

[Signed]



**Mr Jeff Boal**  
Vice Chair

[Signed]



**Mr Simon Jackson**  
Headteacher

### **Statement on Regularity, Propriety and Compliance**

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

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

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

A handwritten signature in black ink, appearing to read 'S. Jackson', written in a cursive style.

**[Signed]**

**Mr Simon Jackson**  
Headteacher

## Statement of Governors' Responsibilities

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

Company law requires the governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year. In preparing financial statements giving a true and fair view, the governors are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles of 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The governors confirm that so far as they are aware, there is no relevant audit information of which the charitable company's auditors are unaware. They have taken all the steps that they ought to have taken as governors in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The governors are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Approved by order of the members of the governing body on 26/11/12 and signed on its behalf by

[Signed]



Mr Jeff Boal,  
Vice Chair of Governors



## **Independent Auditor's Report on the Financial Statements to the Governing Body of Keswick School**

We have audited the financial statements of Keswick School for the period ended 31 August 2012 which comprise the Statement of Financial Activities (including Income and Expenditure Account and Statement of Total Recognised Gains and Losses), 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 and 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 charitable company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of Governors and auditors**

As explained more fully in the Governors' responsibilities statement on page 24, the Governors (who are also the directors of the charitable company for the purposes of company law and the trustees of the charitable company for the purposes of charity 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 Ethical Standards for Auditors.

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

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

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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.

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

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

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

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

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

*Karen Musgrave*

Karen Musgrave  
Senior statutory auditor  
for and on behalf of

Date 15/12/12

RSM Tenon Audit Limited  
Statutory Auditor  
Sumner House  
St Thomas's Road  
Chorley  
PR7 1HP



## **Independent Auditor's Report on Regularity to the Governing Body of Keswick School and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 26 October 2011 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 period 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 governing body and the EFA. Our review work has been undertaken so that we might state to the governing body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the governing body and the EFA, for our review work, for this report, or for the opinion we have formed.

### **Respective responsibilities of the governing body and Auditors**

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

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

### **Basis of opinion**

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

## Opinion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 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

*Karen Musgrave*

Karen Musgrave  
Senior statutory auditor  
for and on behalf of

Date 10/12/12

RSM Tenon Audit Limited  
Statutory Auditor  
Sumner House  
St Thomas's Road  
Chorley  
Lancashire  
PR7 1HP

# STATEMENT OF FINANCIAL ACTIVITIES

For the period ended 31 August 2012

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

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2012 £000
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Transfer from local authority on conversion		557	-	8,987	9,544
Activities for generating funds	2	432	324	-	756
<i>Incoming resources from charitable activities</i>					
Funding for the Academy's educational operations	3	-	6,080	249	6,329
Other income	4	189	83	-	272
<b>Total incoming resources</b>		<b>1,178</b>	<b>6,487</b>	<b>9,236</b>	<b>16,901</b>
<b>Resources expended</b>					
<i>Charitable activities</i>					
. Academy's educational operations	6	417	6,126	296	6,839
<i>Governance costs</i>	7	-	170	-	170
<b>Total resources expended</b>	5	<b>417</b>	<b>6,296</b>	<b>296</b>	<b>7,009</b>
<b>Net incoming resources before transfers</b>					
		761	191	8,940	9,892
Gross transfers between funds	14	(69)	(141)	210	-
<b>Net incoming resources before other recognised gains and losses</b>		<b>692</b>	<b>50</b>	<b>9,150</b>	<b>9,892</b>
<b>Other recognised gains and losses</b>					
Defined benefit pension scheme liability transferred on conversion	18	-	(1,134)	-	(1,134)
Actuarial losses on defined benefit pension schemes	18	-	(205)	-	(205)
<b>Net movement in funds</b>		<b>692</b>	<b>(1,289)</b>	<b>9,150</b>	<b>8,553</b>
<b>Total funds carried forward at 31 August 2012</b>	14	<b>692</b>	<b>(1,289)</b>	<b>9,150</b>	<b>8,553</b>

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

All of the Academy's activities derive from acquisitions 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



# Balance Sheet at 31 August 2012

	Note	2012 £000
<b>Fixed assets</b>		
Tangible assets	11	9,004
		<u>9,004</u>
<b>Current assets</b>		
Debtors	12	189
Cash at bank and in hand		<u>1,073</u>
		1,262
<b>Current liabilities</b>		
Creditors: Amounts falling due within one year	13	<u>(314)</u>
<b>Net current assets</b>		<u>948</u>
<b>Total assets less current liabilities</b>		<b>9,952</b>
<b>Net assets excluding pension liability</b>		<b>9,952</b>
Pension scheme liability	18	<u>(1,399)</u>
<b>Net assets including pension liability</b>		<u><b>8,553</b></u>
<b>Funds of the Academy:</b>		
<b>Restricted funds</b>		
Fixed asset fund	14	9,150
General fund	14	110
Pension reserve	14	<u>(1,399)</u>
<b>Total restricted funds</b>		<u><b>7,861</b></u>
<b>Unrestricted funds</b>		
General fund	14	<u>692</u>
<b>Total unrestricted funds</b>		<u><b>692</b></u>
<b>Total funds</b>		<u><b>8,553</b></u>

The financial statements on pages 29 to 51 were approved by the governors on 26/11/12 and signed on their behalf by



Mr Jeff Boal,  
Vice Chair of Governors





# **Cash Flow Statement for the period ending 31 August 2012**

**2012**  
**£000**

## **Reconciliation of net income to net cashflow from operating activities**

Net income	1,150
Depreciation (note 11)	292
Loss on disposal of tangible fixed assets	4
Capital grants from DfE and Others	(249)
Transfer from local authorities on conversion	(244)
FRS 17 pension cost less contributions payable (note 18)	(8)
FRS 17 pension finance income (note 18)	68
Increase in debtors	(189)
Decrease in creditors	314

<b>Net cash inflow from operating activities</b>	<b>1,138</b>
--	--------------

## **Capital expenditure and financial investment**

Purchase of tangible fixed assets	(314)
Capital grants from DfE/EFA	249
	(65)

<b>Increase in cash in the period</b>	<b>1,073</b>
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## **Reconciliation of net cashflow to movement in net funds**

<b>Net funds at 31 August 2012</b>	<b>1,073</b>
------------------------------------	--------------

## **Analysis of changes in net funds**

	Cash flows	At 31 August
	£000	£000
Cash in hand and at bank	1,073	1,073

## **PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2012**

### **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.

The Academy pays a peppercorn rent to the Local Council for the use of the Academy buildings and certain fixtures. The Academy is not able to put a value on this benefit.

### ***Interest receivable***

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

### ***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.



## **PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2012**

### **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.

### ***Governance costs***

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

### **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 14.

### **Tangible fixed assets**

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

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

Assets costing less than £1,000 are written off in the year of acquisition. All other assets are capitalised.

## **PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2012**

### **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 land and 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

### **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 18.

#### ***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.

## **PRINCIPAL ACCOUNTING POLICIES 31 AUGUST 2012**

### ***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.

### **Conversion to an Academy Trust**

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

The assets and liabilities transferred on conversion from Keswick School to an Academy trust have been valued at their fair value. Their fair value is in accordance with the accounting policies set out for Keswick School. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in other resources expended 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 21.

NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

2012  
£000

1 General Annual Grant (GAG)

Results and Carry Forward for the period

GAG allocation for current period	5,994
<b>Total GAG available to spend</b>	<b>5,994</b>
Recurrent expenditure from GAG	(5,780)
Fixed assets purchased from GAG	(141)
<b>GAG carried forward to next year</b>	<b>73</b>

Maximum permitted GAG carry forward at end of current period (12% of allocation for current period)	(719)
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<b>GAG to surrender to DfE</b> (12% rule breached if result is positive)	<b>(646)</b>
	No breach

2 Activities for Generating Funds

	Unrestricted funds £000	Restricted funds £000	2012 Total £000
Lettings income	32	324	356
Catering income	377	-	377
Music income	23	-	23
	<b>432</b>	<b>324</b>	<b>756</b>

3 Funding for Academy's educational operations

	Unrestricted funds £000	Restricted funds £000	2012 Total £000
<b>DfE/EFA capital grants</b>			
- Academy main building grants	-	23	23
- Other capital grants from Local Authority	-	127	127
- DfE Capital Grants	-	99	99
	-	<b>249</b>	<b>249</b>
<b>DfE/EFA revenue grants</b>			
General Annual Grant (GAG) (note 1)	-	5,994	5,994
Start Up grants	-	25	25
Other DfE /EFA grants	-	61	61
	-	<b>6,080</b>	<b>6,080</b>
	-	<b>6,329</b>	<b>6,329</b>



# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

4 Other incoming resources	Unrestricted funds £000	Restricted funds £000	2012 Total £000
Insurance claim	-	71	71
Sundry income	189	12	201
	<u>189</u>	<u>83</u>	<u>272</u>

5 Resources Expended	Staff Costs £000	Other Costs £000	Depreciation £000	Total 2012 £000
Academy's educational operations				
- Direct costs	3,272	401	292	3,965
- Allocated support costs	1,918	956	-	2,874
	<u>5,190</u>	<u>1,357</u>	<u>292</u>	<u>6,839</u>
Governance costs including allocated support costs	-	170	-	170
	<u>5,190</u>	<u>1,527</u>	<u>292</u>	<u>7,009</u>

Incoming/outgoing resources for the year include:

	2012 £000
Fees payable to auditor – audit	9
– other services	4
	<u>13</u>

The method used for the apportionment of support costs is disclosed in the accounting policies on page 32



# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

## 6 Charitable Activities – Academy's educational operations

	Unrestricted funds £000	Restricted funds £000	2012 Total Funds £000
<b>Direct costs</b>			
Teaching and educational support staff costs	-	3,272	3,272
Depreciation	-	292	292
Loss on disposal	-	4	4
Educational supplies	-	197	197
Examination fees	-	103	103
Staff development	-	33	33
Educational consultancy	-	59	59
Other direct costs	-	5	5
	<b>-</b>	<b>3,965</b>	<b>3,965</b>
<b>Educational support costs</b>			
Support staff costs	189	1,729	1,918
Recruitment and other staff costs	2	32	34
Maintenance of premises & equipment	23	167	190
Cleaning	6	26	32
Rent and rates	36	143	179
Insurance	11	75	86
Security & transport	1	18	19
Catering contract	143	120	263
FRS 17 interest charge	-	68	68
Other support and admin expenses	6	79	85
	<b>417</b>	<b>2,457</b>	<b>2,874</b>
<b>7 Governance costs</b>			
	Unrestricted funds £000	Restricted funds £000	2012 Total £000
Legal and professional fees	1	40	41
Auditors' remuneration			
- Audit of financial statements	-	9	9
- Other services	-	4	4
IT fees	-	116	116
	<b>1</b>	<b>169</b>	<b>170</b>

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 8 Staff Costs

Staff costs during the period were:	Unrestricted funds £000	Restricted funds £000	2012 Total £000
Wages and salaries	189	4,099	4,288
Social security costs	-	318	318
Other pension costs	-	585	585
	<u>189</u>	<u>5,002</u>	<u>5,191</u>
Supply teacher costs	-	10	10
	<u>189</u>	<u>5,012</u>	<u>5,201</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:

	2012 No.
<i>Charitable Activities</i>	
Teachers	79
Administration	80
	<u>159</u>

Four employees earned more than £60,000 per annum (including taxable benefits but excluding employers' pension contributions) during the period ended 31 August 2012. The total emoluments of these employees were in the following ranges:

	2012 No.
£60,000 - £70,000	1
£70,001 - £80,000	2
£120,001 - £130,000	1

All four of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2012, pension contributions for these staff amounted to £49,000.

### 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.

During the period ended 31 August 2012, travel and subsistence expenses totalling £nil were reimbursed to governors.

Other related party transactions involving the trustees are set out in note 19.

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 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 £5,000,000 on any one claim and the cost for the period ended 31 August 2012 £3,020 and was included in the insurance cost for the year.

### 11 Tangible Fixed Assets

	Long Leasehold Land & Buildings £000	Furniture & Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>					
Additions	151	16	146	-	313
Transfers on conversion	8,832	46	102	7	8,987
Disposals	-	-	(8)	-	(8)
At 31 August 2012	8,983	62	240	7	9,292
<b>Depreciation</b>					
Charged in period	188	15	88	1	292
Disposals	-	-	(4)	-	(4)
At 31 August 2012	188	15	84	1	288
<b>Net book values</b>					
At 31 August 2012	8,795	47	156	6	9,004

Tangible fixed assets have been funded from the following sources

	£'000
EFA/DfE capital grants	85
Other government grants	18
Inherited assets	8,979
Inherited unrestricted reserves	69
General purpose fund (grant income)	141
<b>Cost of fixed assets at 31 August 2012</b>	<b>9,292</b>
Less Accumulated depreciation	(292)
Less Disposals NBV	4
<b>Net book value of fixed assets at 31 August 2012</b>	<b>9,004</b>

The valuation of lands and buildings are for accounting purposes only. In line with the Funding Agreement the Academy has a 135 year lease of the land and buildings from the Trustees of Keswick School, a separate charitable entity. No rent was payable to the Trustees of Keswick School during the period.

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 12 Debtors

	2012 £000
Trade debtors	65
Prepayments and accrued income	96
VAT recoverable	28
	<u>189</u>

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

	2012 £000
Trade creditors	46
Accruals and deferred income	268
	<u>314</u>

#### Deferred income

	2012 £000
Resources deferred in the period	220
Deferred income at 31 August 2012	<u>220</u>

# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

## 14 Funds

	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	At 31 August 2012 £000
<b>DfE/EFA Revenue Grants</b>				
General Annual Grant (GAG)	5,994	(5,780)	(141)	73
Start Up Grant	25	(25)	-	-
Other DfE/EFA grants	61	(46)	-	15
Pension Reserve	-	(60)	(1,339)	(1,399)
	6,080	(5,911)	(1,480)	(1,311)
<b>Other Restricted Grants</b>				
Boarding income	336	(314)	-	22
Other restricted	71	(71)	-	-
	407	(385)	-	22
<b>Fixed asset funds</b>				
DfE capital grants	230	(16)	-	214
Sponsorship fixed assets fund	19	(3)	-	16
Capital expenditure from GAG	-	(26)	141	115
Capital expenditure from unrestricted funds on conversion	-	(13)	69	56
Fixed assets donated on conversion	8,987	(238)	-	8,749
	9,236	(296)	210	9,150
<b>Total restricted funds</b>	<b>15,723</b>	<b>(6,592)</b>	<b>(1,270)</b>	<b>7,861</b>
<b>Unrestricted funds</b>				
Unrestricted funds	1,178	(417)	(69)	692
<b>Total funds</b>	<b>16,901</b>	<b>(7,009)</b>	<b>(1,339)</b>	<b>8,553</b>

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

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 15 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted general fund £000	Restricted general fund £000	Restricted fixed asset fund £000	Total 2012 £000
Tangible fixed assets	-	-	9,004	9,004
Current assets	692	424	146	1,262
Current liabilities	-	(314)	-	(314)
Pension scheme liability	-	(1,399)	-	(1,399)
<b>Total net assets</b>	<b>692</b>	<b>(1,289)</b>	<b>9,150</b>	<b>8,553</b>

### 16 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

- The value at that time of the Academy's site and premises and other assets held for the purpose of the Academy. and
- The extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement



## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 17 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.

### 18 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.

#### Teachers' Pension Scheme

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

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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.

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 18 Pension Commitments (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

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £230,000, of which employer's contributions totalled £175,000 and employees' contributions totalled £55,000. The agreed contribution rates for future years are 18.9% per cent for employers and 6% per cent for employees.

# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

## 18 Pension Commitments (continued)

### *FRS 17*

Principal Actuarial Assumptions	At 31 August 2012
Rate of increase in salaries	3.95%
Rate of increase for pensions in payment / inflation	2.20%
Discount rate for scheme liabilities	4.30%
Inflation assumption	2.20%

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
<i>Retiring today</i>	
Males	22.20
Females	24.80
<i>Retiring in 20 years</i>	
Males	24.00
Females	26.80

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 18 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 2012 %	Value at 31 August 2012 £000
Equities	7.0%	423
Gilts	2.5%	139
Bonds	3.4%	142
Property	6.0%	54
Cash	0.5%	14
Other	7.0%	74
<b>Total market value of assets</b>		<b>846</b>
Present value of scheme liabilities		
- Funded		(2,245)
<b>Deficit in the scheme</b>		<b>(1,399)</b>

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 £39,000

**NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012**

**18 Pension Commitments (continued)**

**Total expenditure recognised in the Statement of Financial Activities**

**2012  
£000**

Current service cost	167
Total operating charge	<u>167</u>

**Analysis of pension finance costs**

Expected return on pension scheme assets	(51)
Interest on pension liabilities	119
Pension finance cost	<u>68</u>

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

**2012  
£000**

Actuarial losses on scheme assets	(12)
Actuarial losses on scheme liabilities	(193)
Total amount recognised in STRGL	<u>(205)</u>

# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

## 18 Pension Commitments (continued)

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

	2012 £000
Current service cost	167
Interest cost	119
Employee contributions	55
Actuarial (gain)/loss	193
Benefits paid	(54)
Transfer from Local Authority	1,765
<b>Scheme liabilities at 31 August</b>	<b>2,245</b>

	2012 £000
<b>Movements in the fair value of the Academy's share of scheme assets:</b>	
Expected return on scheme assets	51
Actuarial gain/(loss)	(12)
Employer contributions	175
Employee contributions	55
Benefits paid	(54)
Transfer from Local Authority	631
<b>Fair value of scheme assets at 31 August</b>	<b>846</b>

	2012 £000
<b>Movement in surplus/(deficit) during year</b>	
Transferred on conversion from the local authority	(1,134)
Current service cost	(167)
Curtailments and settlements	
Employer contributions	175
Net interest/return on assets	(68)
Actuarial gain or (loss)	(205)
<b>Deficit in scheme at 31 August</b>	<b>(1,399)</b>

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 18 Pension Commitments (continued)

Amounts for the current and previous periods

	2012 £000
Defined benefit obligation at end of year	(2,245)
Fair value of plan assets at end of year	846
Deficit	<u>(1,399)</u>
Experience adjustments on Scheme assets	(12)
Experience adjustments on Scheme liabilities	(193)

Projected pension expense for the year to 31 August 2012 is £149,000

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.

### 19 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.

Transactions with the EFA are detailed in note 3.

# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

## 20 Academy Boarding Trading Account for the period ended 31 August 2012

	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b><u>Income</u></b>			
Fee Income		324	
Other Income		<u>12</u>	
			336
<b><u>Expenditure</u></b>			
<b>Direct Costs</b>			
Goods & Services	94		
Other Direct Costs	<u>6</u>		
<b>Total Direct Costs</b>		100	
<b>Indirect Costs</b>			
Staff Costs	168		
Utilities	20		
Buildings Maintenance	10		
Other Indirect Costs	<u>19</u>		
<b>Total Indirect Costs</b>		<u>217</u>	
<b>Total Operating Costs</b>			<u>317</u>
<b>Surplus on Boarding</b>			19
<b>Surplus carried forward 31 August 2012</b>			<u><u>19</u></u>



## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2012

### 21 Conversion to an academy trust

On 1 July 2011 the Keswick School converted to Academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Keswick School from the Sefton Council Local Authority for £nil consideration

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

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

	Unrestricted funds £000	Restricted general fund £000	Restricted fixed asset funds £000	Total £000
Tangible fixed assets				
- Leasehold land and buildings	-	-	8,832	8,832
- Other tangible fixed assets	-	-	155	155
Budget surplus on Local Authority funds	557	-	-	557
Local Government Pension Scheme deficit	-	(1,134)	-	(1,134)
<b>Net Assets/(liabilities)</b>	<b>557</b>	<b>(1,134)</b>	<b>8,987</b>	<b>8,410</b>

The above net assets include £557,000 that was transferred as cash.

### 22 Financial commitments

#### Operating leases

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

	2012 £000
<u>Other</u>	
Expiring within one year	-
Expiring within two and five years inclusive	5
Expiring in over five years	-
	<u>5</u>