

Whickham School and Sports College Limited
(a company limited by guarantee and not having a share
capital)

**Report of the Governors and Financial
Statements**

Company number 07729766

31 August 2012

THURSDAY



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COMPANIES HOUSE

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Governors' Report

The governors present their annual report together with the financial statements and auditor's report of the Charitable Company for the year ended 31 August 2012

Reference and Administration Details

| | |
|-----------|--|
| Trustees | B J Abbott (Incorporation) J L M Axelby (Incorporation) K L Archer (appointed 21/10/2011) I Dormer (appointed 21/10/2011) |
| Governors | T H Hopper (Chairman (Incorporation)) A G Hewison (Responsible Officer (Incorporation)) I Potse* (Incorporation) K Haigh (appointed 17/11/2011) A Wilson* (Incorporation) G Little (appointed 26/09/2011) I Gunn * (Staff Governor appointed 29/09/2011) A E Patterson* (Staff Governor appointed 29/09/2011) R Hogarth (Staff Governor appointed 29/09/2011) D Camsell (Staff Governor appointed 29/09/2011) S Ban* (appointed 21/11/2011) M Crabtree* (Incorporation) G Hayley* (appointed 01/11/2011) R Tolley (appointed 26/09/2011) D Stephenson (Incorporation) P Price (appointed 19/12/2011) J Butler (Incorporation) D Walden (Incorporation) G Anderson (Incorporation) P Maughan (Incorporation) M Brain (appointed 19/03/2012) A Charlton (resigned 07/11/2011) S Haigh (Headteacher/Accounting Officer (Incorporation)) |

* Members of the Staffing, Finance and General Purposes Committee

| | |
|---------------------------------|--|
| Deputy Headteacher | M Kirtley |
| Deputy Headteacher | F Turnbull |
| Company Secretary | M Ledger |
| Principal and Registered Office | Burnthouse Lane Whickham Newcastle upon Tyne NE16 5AR |
| Company Registration Number | 07729766 (England and Wales) |
| Independent Auditor | KPMG LLP Quayside House, 110 Quayside Newcastle upon Tyne, NE1 3DX |
| Bankers | Lloyds TSB 102 Grey Street, Newcastle upon Tyne, NE1 6AG |
| Legal Advisers | Dickinson Dees LLP One Trinity, Broad Chare, Newcastle upon Tyne, NE1 2H |

Governors' Report *(continued)*

Structure, Governance and Management

Constitution

The Academy Trust is a Company incorporated in England and Wales, limited by guarantee and an exempt charity with registered Company Number 07729766. The Company's memorandum and articles of association are the primary governing documents of the Academy Trust.

The Governors act as the Trustees for the activities of Whickham School & Sports College (Academy Trust) and are also the directors of the Company for the purposes of company law. The Company is known as Whickham School and Sports College (Academy Trust). Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on page one.

Members' Liability

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

Governors' Indemnities

Subject to the provisions of the Companies Act 2006 every Governor or other officer or auditor of the Academy Trust shall be indemnified out of the assets of the Academy Trust against any liability incurred by him in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy Trust.

Principal Activities

The characteristics of the Academy set down in Section 1(6) of the Academies Act 2010, are that

- The school has a curriculum satisfying the requirements of section 78 of EA 2002 (balanced and broadly based curriculum)
- If the school provides secondary education, its curriculum for the secondary education has an emphasis on a particular subject area, or particular subject areas, specified in the Agreement
- The school provides education for pupils of different abilities
- The school provides education for pupils who are wholly or mainly drawn from the area in which the school is situated

Method of Recruitment and Appointment or Election of Governors

Governors

- The number of Governors shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum
- Subject to Articles 7-8 and 23, the Academy Trust shall have the following Governors
 - Up to 10 Governors, appointed under Article 9,
 - Up to 4 Staff Governors, if appointed under Article 50A,

Governors' Report *(continued)*

- Up to 1 Local Authority ("LA") Governor if appointed under Article 9,
 - A minimum of 2 and up to 6 Parent Governors appointed under Articles 12-17,
 - The Principal,
 - Any Additional Governors, if appointed under Article 21, 62A or 68A, and
 - Any Further Governors, if appointed under Article 22, or Article 68A
- The Academy Trust may also have any Co-opted Governor appointed under Article 18
 - The first Governors shall be those persons named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006
 - Future Governors shall be appointed or elected, as the case may be, under these Articles. Where it is not possible for such a Governor to be appointed or elected due to the fact that an Academy has not yet been established or the Principal has not been appointed, then the relevant Article or part thereof shall not apply

Appointment of Governors

- The Members may appoint up to 10 Governors
- The Members may appoint Staff Governors through such process as they may determine, provided that the total number of Governors (including the Principal) who are employees of the Academy Trust does not exceed one third of the total number of Governors
- The LA may appoint the LA Governor
- The Principal shall be treated for all purposes as being an ex officio Governor
- Subject to Article 16, the Parent Governors shall be elected by parents of registered pupils at the Academy. A Parent Governor must be a parent of a pupil at the Academy at the time when he is elected
- The Governing Body shall make all necessary arrangements for, and determine all other matters relating to, an election of Parent Governors, including any question of whether a person is a parent of a registered pupil at the Academy. Any election of Parent Governors which is contested shall be held by secret ballot
- The arrangements made for the election of a Parent Governor shall provide for every person who is entitled to vote in the election to have an opportunity to do so by post or, if he prefers, by having his ballot paper returned to the Academy Trust by a registered pupil at the Academy
- Where a vacancy for a Parent Governor is required to be filled by election, the Governing Body shall take such steps as are reasonably practical to secure that every person who is known to them to be a parent of a registered pupil at the Academy is informed of the vacancy and that it is required to be filled by election, informed that he is entitled to stand as a candidate, and vote at the election, and given an opportunity to do so

Governors' Report *(continued)*

Method of Recruitment and Appointment or Election of Governors

- The number of Parent Governors required shall be made up by Parent Governors appointed by the Governing Body if the number of parents standing for election is less than the number of vacancies
- In appointing a Parent Governor the Governing Body shall appoint a person who is the parent of a registered pupil at the Academy, or where it is not reasonably practical to do so, a person who is the parent of a child of compulsory school age

Co-opted Governors

- The Governors may appoint up to 1 Co-opted Governor. A 'Co-opted Governor' means a person who is appointed to be a Governor by being Co-opted by Governors who have not themselves been so appointed. The Governors may not co-opt an employee of the Academy Trust as a Co-opted Governor if thereby the number of Governors who are employees of the Academy Trust would exceed one third of the total number of Governors (including the Principal)

Appointment of additional Governors

- The Secretary of State may give a warning notice to the Governors where he is satisfied -
 - That the standards of performance of pupils at the Academy are unacceptably low
 - That there has been a serious breakdown in the way the Academy is managed or governed
 - That the safety of pupils or staff of the Academy is threatened (whether by a breakdown of discipline or otherwise)
- For the purposes of Article 60 a 'warning notice' is a notice in writing by the Secretary of State to the Academy Trust delivered to the Office setting out -
 - The matters referred to in Article 19,
 - The action which he requires the Governors to take in order to remedy those matters, and
 - The period within which that action is to be taken by the Governors ('the compliance period')
- The Secretary of State may appoint such Additional Governors as he thinks fit if the Secretary of State has
 - Given the Governors a warning notice in accordance with Article 19, and
 - The Governors have failed to comply, or secure compliance, with the notice to the Secretary of State's satisfaction within the compliance period
- The Secretary of State may also appoint such Additional Governors where following an Inspection by the Chief Inspector in accordance with the Education Act 2005 (an "Inspection") the Academy Trust receives an Ofsted grading (being a grade referred to in The Framework for School Inspection or any modification or replacement of that document for the time being in force) which amounts to a drop, either from one Inspection to the next Inspection or between any

Governors' Report *(continued)*

two Inspections carried out within a 5 year period, of two Ofsted grades For the purposes of the foregoing the grade received by Whickham School shall be regarded as the grade received by the Academy

Method of Recruitment and Appointment or Election of Governors

Appointment of additional Governors

- The Secretary of State may also appoint such Further Governors as he thinks fit if a Special Measures Termination Event (as defined in the Funding Agreement) occurs in respect of the Academy
- Within 5 days of the Secretary of State appointing any Additional or Further Governors in accordance with Articles 21, 62A or 22 any Governors appointed under Article 9 and holding office immediately preceding the appointment of such Governors, shall resign immediately and the Members' power to appoint Governors under Article 9 shall remain suspended until the Secretary of State removes one or more of the Additional or Further Governors

Policies and procedures adopted for the induction and training of Governors

The Governing Body and Head Teacher believe it is essential that all new governors receive a comprehensive induction package covering a broad range of issues and topics There is a commitment to ensure that the new governors are given the necessary information and support to fulfil their role with confidence The process is seen as an investment, leading to more effective governance and retention of governors

Purpose

- To welcome new governors to the Governing Body and enable them to meet other members
- To encourage new governors to visit the school to experience its atmosphere and understand its ethos
- To meet the Head Teacher, staff and pupils
- To explain the partnership between the Head Teacher, school and Governing Body
- To explain the role and responsibilities of governors
- To explain how the Governing Body and its committees work
- To enable new governors to join the committee(s) of their choice
- To give background material on the school and current issues
- To enable new governors to ask questions about their role and/or the school

New governors will.

- Be welcomed to the Governing Body by the Chair
- Be invited by the Head Teacher to visit the school
- Have the opportunity to tour the school and meet staff and children
- Receive an informal briefing on the school from the Head Teacher
- Have the opportunity to meet informally with an existing governor who then acts as their active mentor
- Be accompanied by their mentor to their first full Governing Body meeting
- Have the opportunity to review their first meeting with the mentor

New governors will receive from Governor Support:

- The new governor induction pack
- The instrument of government which notes the composition of the governing body
- A DCC (CRB) application form
- A governor details form
- An eligibility form
- A membership list for the governing body

Governors' Report (*continued*)

- The code of conduct for the governing body (if one has been agreed)
- The committee structure, terms of reference and membership for the governing body
- The Governor Support Service Development Directory
- A copy of the most recent Governor Support Service newsletter

New governors will receive from the school:

- The school prospectus
- Recent school newsletters
- A calendar of school events
- The school improvement plan (SIP)
- A full list of staff and the staffing structure
- Copies of the key policy statements including the school visits policy
- A full set of papers from the last full governing body meeting
- Details of how to contact the other governors
- Details of how to contact the school including the email address

Areas the Head Teacher will cover include:

- Background to the school
- Current issues facing the school
- Visiting the school
- The relationship between the Head Teacher and Governing Body

Areas that the mentor will cover include.

- An overview of the governor's role
- How the full Governing Body and committee meetings are conducted
- How to propose agenda items
- Governor training

Organisational Structure

The Academy Trust is a charitable company limited by guarantee. It has a strategic role in running the academy and is responsible for appointing the governors. It has control over the land and other assets and delegates management of the school to the governors.

Powers of Governors

Subject to provisions of the Companies Act 2006, the Articles and to any directions given by special resolution, the business of the Academy Trust shall be managed by the Governors who may exercise all the powers of the Academy Trust. No alteration of the Articles and no such direction shall invalidate any prior act of the Governors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Article shall not be limited by any special power given to the Governors by the Articles and a meeting of Governors at which a quorum is present may exercise all the powers exercisable by the Governors.

The Headteacher, as Accounting Officer, has personal responsibility to the Governing Body for financial and administrative matters including

- Ensuring regularity and propriety
- Prudent and economical administration
- Avoidance of waste and extravagance
- Efficient and effective use of available resources
- Day to day organisation, staffing and management of the Academy

The Governing Body have appointed a governor as the Responsible Officer, Business Manager as Company Secretary and have entered into a Service Level Agreement with Gateshead Council to provide clerking to the governors.

Governors' Report *(continued)*

Delegation of decision – making to Management

- 1) Staffing – appointment of teaching and noon teaching staff
- 2) Curriculum – responsibility for standards of teaching, subject options to be taught and individual child's education
- 3) Performance Management – implementation of policy
- 4) Religious Education – provision of RE in line with locally agreed syllabus
- 5) Collective Worship – arrangements for and application to the advisory councils concerning the requirements for collective worship
- 6) Health & Safety – institute a policy
- 7) Information for Parents – ensure provision of free school meals to those students meeting criteria

Risk Management

The management of risks to the School and the fulfilment of the Vision Statement is undertaken in accordance with the Funding Agreement and the Academies Financial Handbook

The Governing Body is responsible for risk management and for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding public funds and other funds and assets for which it is responsible. The Governing Body is advised in this role by the Finance, Staffing & General Purposes Committee and both are advised and informed by members of the Leadership Team. A review of the Academy's risk management process is undertaken throughout the year and is managed by the relevant committees covering financial stability and employment, premises and health & safety and curriculum and student welfare.

The Governing Body fulfils its role by establishing the system of internal control

- Approving and reviewing a series of policies that underpin the internal control process agreeing objectives, plans and resources by means of the budget and the annual School Evaluation and Development Plans
- Approving the policy statement and the Risk Register and reviewing them carefully each year to identify risks, near misses and opportunities
- Considering carefully the advice from the Responsible Officer, Auditor and Audit Committee on internal financial controls, together with advice from any external consultants or inspectors

The Leadership Team fulfils its Risk Management role by

- Implementing governors' policies on risk management and internal control advising the Finance, Staffing & general Purpose Committee of the fundamental risks faced by the school and helping to evaluate them
- Providing timely and sufficient information to governors and the Finance, Staffing & General Purpose Committee on the status of risks and controls
- Assisting the Finance, Staffing & General Purpose Committee to draw up and revise the Risk Register
- Working to embed risk management and risk-based internal control in all aspects of school management

The Risk Register has been completed in the form recommended in the Academies Financial Handbook and it uses the terms listed there. It shall be revised annually by the Finance, Staffing & General Purpose Committee who will recommend it to the Governing Body.

The Academy has no connected organisations

Governors' Report (*continued*)

Objectives and Aims

The Academy Trust's object is specifically restricted to the following to advance for the public benefit 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

We aim to provide a first class education to students from the ages of 11 to 18 and we seek to provide a structured educational environment that develops our students' capabilities, competencies and skills. We promote the academic, moral and physical development of our students through the academic curriculum, pastoral care, sporting and other activities and we provide an educational environment where each student can develop and fulfil his or her potential, building their self-confidence and desire to contribute to the wider community.

Objectives, Strategies and Activities

The strategic vision has been developed from a view of what we would wish for our students as they grow and develop through their school career at Whickham School. It states clearly what we value and guides the strategic objectives which define our ethos.

Structure, Governance and Management

Equip students with the skills to succeed in the Sixth Form, Further Education or Training by raising the percentage of students achieving 5+A*-CEM

The percentage of students achieving 5+A*-CEM and 5+A*-C has increased significantly over the past four years. This has led to significantly higher levels of student achievement and progression to the sixth form and FE (less than 2% did not access the sixth form or FE in 2012). Note: 5+A*-CEM dipped slightly in 2012 due to changes to English Language grade boundaries.

| | 2009 | 2010 | 2011 | 2012 |
|-----------------|-------------|-------------|-------------|-------------|
| 5+A*-CEM | 52% | 57% | 71% | 68% |
| 5+A*-C | 87% | 92% | 95% | 99% |

This has been achieved through

- Development of a KS4 curriculum that engages and motivates all students through providing access to subjects that they can achieve success in
- Close monitoring of student progress and effective interventions through one to one support, mentoring and the development of personalised curriculum
- Implementation of an early entry mathematics strategy
- Implementation of attendance and behaviour for learning strategies that has led to high levels of student attendance and engagement

Improve outcomes for able students to ensure that they achieve high levels of academic success

The percentage of A*-A pass at GCSE and L2 BTEC level has risen to 25% and A*-A at A level and L3 BTEC to 38%. Both compare favourably to national averages.

Heighten access and quality of collaborative vocational provision to ensure high levels of VA for all students

All students have access to a range of vocational pathways from KS4 to KS5. Attainment and progress in vocational subjects was judged outstanding in 2012.

Governors' Report (continued)

Ensure that all students emerge with a curricular experience and a suite of qualifications that prepare them for future destinations and life long learning

Development of a three year KS4 has enabled greater student choice and subsequent motivation. This will lead to greater levels of progress in GCSE subjects. Currently the capped average point score at GCSE (378) and total points score at A level (771) reflect high levels of success by students in range of subject areas. Both are significantly above national averages.

English, Maths and Science to meet national norms for KS2-4 progress

KS2-4 progress in English, Maths and Science is judged to be good or better in all three subjects in 2012. School is awaiting 2012 Raise information to validate these judgements.

Ensure that students with SEND continue to make outstanding progress

The progress and attainment of SEND students in 2012 continues to be outstanding. An area for improvement is the percentage of SEND students who achieve 5+A*-CEM.

To ensure that students attain grades that will allow progression to HE if that is their choice

Attainment at KS5 is strong with 53% of all grades at A*-B and the pass rate at 99%. Progression to HE has traditionally been strong with approximately 70% of students accessing this directly at the end of Yr13. Progression has fallen slightly in 2012 to approximately 63% but student surveys indicate this is due to changing student finance arrangements in HE.

Outstanding Quality of Learning

Develop a culture where good or outstanding teaching is recognised as the norm

During 2011/12 the proportion of outstanding and good lessons observed continued to improve. In June, a programme was launched to identify the qualities we would identify in an outstanding learner and the characteristics we would identify with outstanding lessons and their associated schemes of work. In November 2012, we were delighted to host Alistair Smith, an internationally renowned expert on outstanding learning. He shared the qualities that need to be developed in our transition from good to outstanding. As a consequence, we are currently developing a Whickham School taxonomy of learning that will be shared with all colleagues as a means to provide a template for outstanding teaching that can be shared with all.

Establish an annual conference that celebrates T and L innovation and success

Alistair Smith led two-day conference for all classroom based staff in November 2012. He unpicked key elements of the learning process and identified key characteristics of outstanding teachers and learners that we are currently acting upon. His work on high performing schools will be discussed at Leadership Team meetings and Faculty Leadership Team meetings.

Develop a coaching programme so that T and L innovations can be implemented with support and monitoring

Our new faculty Leadership structure gives key recognition to those colleagues with responsibility for developing the learning culture. These colleagues are already providing opportunities for colleagues to observe their lessons and receive support in trialling new initiatives. As a result of November's INSET, two classrooms are being converted into environments that will foreground cooperative learning techniques. Colleagues will be able to observe key practitioners before trialling approaches themselves, with the support of the Teaching and Learning team.

Governors' Report (continued)

Have a rigorous academic mentoring programme that includes the pastoral systems of the school

All students receive academic mentoring with an attached mentor. In addition, key groups of students are mentored and supported in particular subjects and groups of subjects. Specific review periods support the mentoring process. The new pastoral SEF stresses the importance of academic mentoring and Heads of Year have a heightened role in the process.

Ensure a consistently high standard of teaching

In addition to point 1 above, regular monitoring through learning walks, work scrutinies, student voice interviews and modular grade outcomes provide continual evidence of the standard of teaching and learning, enabling interventions to occur when standards are not met. Our recent work on the development of Whickham taxonomy has strengthened this process.

Most able students stretched at all times

In October 2012, all departments were asked to address the performance of our A*/A students in their Faculty School Improvement Plans and associated appraisal objectives. In January 2013, our half-term focus will centre on the needs of the most able, with specific school improvement sessions identifying their needs and the strategies required to support their progress and engagement.

Students with SEND make outstanding progress

In summer 2012, 97% of our AEN students achieved 5A*-C, compared to 99% of the rest of the school cohort. Their broad progress was good but more needs to be done to improve their performance in the other key indicator of 5A*-CEM. The needs of AEN students will be our themed focus for the summer term in a series of school improvement sessions addressing their needs and the strategies required for further improvement.

Students continue structured learning beyond the taught day

Our school library and learning hubs ensure that students have access to supported study facilities from 8.00a.m. to 5.00p.m. Monday to Thursday and from 8.00a.m. to 4.30p.m. on Friday. In addition, our new Faculty leadership structure gives specific responsibility to colleagues responsible for VLE development who have a specific brief to extend opportunities for on-line learning beyond the school day.

Challenge, Guidance and Support

Ensure that the educational, emotional and social needs of students are fully catered for

Appointment of school Attendance Officer (January 2012) to support students and families with issues presenting good/outstanding school attendance.

Improve the quality of academic mentoring to ensure that all students receive support and challenge to maximise educational outcomes

Ensure students achieve success on programmes of study that fulfil their interests, aspirations and long-term needs

All year 8, 9 and 11 students received interviews with Leadership Team members to ensure appropriate guidance on option choices for the next key stage.

Students are able to assess their own learning

Reward persistence, resilience and reflection

Governors' Report (*continued*)

Academic mentoring to set personal learning plans

Intervene with any student who is at risk of failing to meet targets

Heads of Year take lead on working with underachieving students based on module results throughout the year

Students who are classed as vulnerable are monitored and achieve their targets

Heads of Year take lead on monitoring progress and attainment of vulnerable groups and lead appropriate intervention

Training and development

Develop a culture where all Leaders are Leaders of Learning

Develop a coaching programme so that T and L innovations can be implemented with support and monitoring. Encourage risk taking

Develop the capacity for all teachers to become teachers of Literacy and Numeracy and to make their contribution to this key school target

Make CPD an on-going process that continually challenges and supports the process of school improvement

Equip all staff with data literacy/ICT skills so that emerging school tracking systems can be used to effectively secure progress

The school objectives for this year are part of our self evaluation process. In our critical appraisal of school level achievement we identify areas where we believe we should improve (of course they could be things that we judge as good where we want to move to outstanding as well as those where there is a need to improve). This is an iterative process that relies on rigorous review meetings within Faculty Teams.

During the teaching staff Performance Management cycle we endeavoured to align the objectives of teachers to the school and departmental objectives and this was achieved with greater success than in previous years. Reviews and review statements were consequently of higher quality than had previously been seen. A greater emphasis was also placed on agreeing challenging objectives that may not be met, but where it would be possible to see that significant progress had been made. Consequently a positive outcome can be achieved even if not all the individual objectives were met. This is an indication of the challenge and ambition of individuals and the school.

Challenge and ambition was judged to be good. 63% of all objectives were met, 23% of objectives were partially met and 14% of objectives were not met.

Effectiveness of the Performance Management process was judged to be good, because of its operational efficiency and in terms of outcomes.

Governors' Report (continued)

Leadership

Develop a culture of distributed leadership where all leaders have both generic expectations and clear lines of responsibility. Ensure roles are fit for purpose

Develop clear accountability structures to ensure Leadership responsibilities are effectively fulfilled

All staff understand the principles of leadership and the need for effective monitoring

Develop a culture where all Leaders are Leaders of Learning

Provide leadership opportunities at all levels to drive school improvement and enhance professional development

Have a culture in school where all people feel responsible and accountable

We have developed a very clear vision of leadership and how we make a difference to the quality of learning and outcomes for our young people. To be outstanding in everything we do will require consistency, common purpose and systemic improvements.

We have some excellent practice and strong leaders at Whickham School, which is why this year was judged to be the right time to make the most of what we have and allow good to become great.

Periodically the staffing structure should be reviewed to ensure that it is fit for purpose and has the capacity to ensure that the school reaches our goal to be outstanding. Whilst the staffing structure has changed over the years, it has tended to be organic in its evolution. This year we made some very significant changes.

Strategies / Design

- Leadership model based upon leader and deputy within teams of staff grouped into faculties
- Create clear lines of responsibility and accountability through a Faculty Leader (FL) and Deputy Faculty Leader (DFL)
- Programme Leaders whose responsibilities are based upon a number of taught hours per cycle and number of staff they are responsible for
- Creation of Faculty Leadership Team that becomes one of the key drivers in achieving our objectives
- Roles, responsibilities and expectations clearly defined for all teaching staff
- During the detailed development of the roles for faculty staff, individuals have been identified to take a lead and have responsibility for whole school priorities (Learning Culture, Additional Education Needs, Engagement and Enrichment, Virtual Learning Environment). This has already started to provide a much more efficient and proactive structure for realising our objectives.

Diverse Opportunities That Engage

Introduce a School Report Card/Record of Achievement that expects students to participate in diverse opportunities

Continue to introduce diverse opportunities via Rich Experience days/weeks to integrate within wider curricular provision

Increase the percentage of students involved in at least one extra-curricular activity

Governors' Report (continued)

Increase the percentage of students participating in residential experience

Increase the percentage of students participating in school sports leadership

Whickham School and Sports College is alive with activities that offer students the opportunity to broaden their interests and experience. The Sportsmark and Artsmark Gold awards are a tribute to this excellent provision. Physical education and sport are understandably highly prominent with an enormous range of interests catered for. Teams exist for male and female students in many sports but opportunities are available also for those students who are more interested in individual and non-competitive activities. The pursuit of excellence and widening the levels of participation are the major goals.

Music, dance and drama are strengths in the school. In addition to the many small events during the year including local music festivals, the school produces an annual musical which plays to packed houses for a full week. This year's production is Disney's 'Beauty and the Beast'. Annually there is a band concert and an evening of dance. In addition the band and dance groups perform at various prestige events around the region. Educational visits and exchanges are organised for students of all ages. They range from skiing to water sports, from day-trips to art galleries to the art / history trip to Paris. The school also arranges trips to Germany as well as a French Homestay visit. Annual celebrations such as the School and Community Carol Service and the Prize- Giving Ceremony also add to the richness of life at Whickham School.

Whickham School is proud of the many ways in which we have developed our students' awareness of cultural diversity. Many pupils have taken part in visits to France, Germany, Italy, Greece, Holland, Spain, Iceland, Africa, India, America, Egypt and Mexico.

We have recently set up links through the British Council with Taiwan and South Korea and work is being completed on curricular projects which help students share their cultures to increase understanding. Visitors from these countries have expressed great delight in learning about British education in general, but specifically about the many opportunities which Whickham School offers its students.

The World Challenge trips are 4 week expeditions which take place every 2 years to remote locations in distant countries. They are open to students in year 10 to 13. The venture is designed to let students develop their leadership qualities. Students take a direct responsibility in organising all aspects of the trip including transport, finance, food, accommodation and the purchase of material for the project. Students take turns in leading the expedition. They go to places that are not normally visited by tourists and work within the local community. These can be life-changing trips and the experience they gain is highly prized by universities and prospective employers. All students fund raise over a period of 15 months to help meet the cost of this expedition.

The After-School Network is a new and exciting aspect of the school, providing Whickham students with After-School Hubs that support completion of homework, coursework and general extended learning. Furthermore the After-School Network website lists all the clubs and after-school activities that we organise, making sure that everyone is well informed about all the great opportunities Whickham School students can access.

Positive Personal Qualities, Attributes, Attitudes and Behaviours

Students with the resilience, initiative and determination to succeed

Students with the confidence to participate, contribute and lead

As starting point MG and Heads of Year are conducting whole school audit (7-11) to establish levels of participation in extra curricular activities. This will enable school to identify areas where we seek to raise levels of participation and engagement.

Students who recognise and adopt behaviours that support their own educational, personal and social development and that of others

Governors' Report (*continued*)

School has appointed Behaviour Support Officer and Behaviour Support Assistant led by lead teacher to support students with challenging behaviour to modify behaviour and raise levels of student behaviour for learning

Public Benefit

The Academy Trust governors have complied with their duty in that the school teaches the national curriculum and meets the standards set by Ofsted. The Academy Trust Governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

Achievements and Performance

KS3

Record results at L5+ and L6+ in English, Mathematics and Science

The percentage of students achieving at L5+ and L6+ is significantly above national averages

Substantial improvement in the percentage of students making two levels of progress in English and Science. Progress in Mathematics continues to be strong.

KS4

All but two students in Yr11 achieved 5+A*-C grades. This is significantly above national average.

Performance in GCSE subjects has improved. Strong performance noted in Mathematics, Science, English Literature, German, History, Business Studies, Media Studies and PE.

Performance in BTEC subjects continues to be outstanding. Strong performance in all subjects with ICT being the highest performing.

The capped average points score per student (8 best subject grades) has continued to rise (379). This reflects strong performance by students in a range of subjects and overall, high attainment in a wide range of subject areas.

Sixth Form

Strong pass rate (99.2%) at A2.

38% of all grades at A or A*.

Strong Average Point Score per candidate (775).

Attainment and progress was strong in Business Studies, Fine Art, German, Physics, Media Studies, Health and Social Care, Sport, Dance and Acting.

Areas for Development

KS3

- The percentage of students making two levels of progress in core subjects needs to continue to improve.
- Percentage of students achieving L6+ in Science.

KS4

- Increase the percentage of students achieving 5+A*-C including English and Mathematics.
- Increase the percentage of students achieving at A or A* grade at GCSE.

Governors' Report *(continued)*

- Attainment of students in Geography and technology subjects

Sixth Form

- Attainment at AS level, which is below the national average
- Value added at AS and A2
- Attainment and progress in Biology, Technology, French, Politics Maths, Chemistry and PE

Key Performance Indicators

| KS3 | | 2010 | 2011 | 2012 | 2012 Target |
|------------------------|------------|------|------|------|-------------|
| English | % Level 5+ | 86 | 90 | 94 | 92 |
| | % Level 6+ | 49 | 62 | 73 | 65 |
| Maths | % Level 5+ | 93 | 93 | 94 | 93 |
| | % Level 6+ | 70 | 71 | 75 | 76 |
| Science | % Level 5+ | 86 | 93 | 92 | 93 |
| | % Level 6+ | 59 | 62 | 65 | 68 |
| English& Maths | % Level 5+ | 85 | 87 | 91 | 89 |
| | % Level 6+ | 46 | 57 | 67 | 61 |
| Two levels of progress | English | | 38 | 55 | 56 |
| | Maths | | 66 | 68 | 70 |
| | Science | | 26 | 40 | 51 |

| KS4 | 2010 | 2011 | 2012 | 2012 Target |
|-----------------------------|------|------|------|-------------|
| % 5 A*-C | 88 | 95 | 99 | 97 |
| % 5 A*-C (new measure) | N/A | N/A | 73 | N/A |
| APS Capped | 351 | 360 | 379 | 380 |
| % English Baccalaureate | 26 | 18 | 23 | 29 |
| % 5 A*-C EM | 57 | 71 | 68 | 75 |
| % 5 A*-C EM (new measure) | N/A | N/A | 66 | N/A |
| % 5 A*-C EM (disadvantaged) | N/A | 35 | 40 | N/A |

Governors' Report *(continued)*

| SIXTH FORM YR 13 | 2010 | 2011 | 2012 |
|---------------------|-------|------|-------|
| % A*-E | 99.75 | 99.5 | 99.10 |
| % A*-A | 28 | 40 | 38 |
| % A*-B | 49 | 54 | 53 |
| % A*-C | 77 | 82 | 79 |
| APS (Total) | 776 | 840 | 775 |
| APS per entry | 222 | 230 | 210 |

| SIXTH FORM YR 12 | 2010 | 2011 | 2012 |
|---------------------|------|------|------|
| % A*-E | 86 | 81 | 81 |
| % A- B | 29 | 21 | 22 |

Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Key Financial Performance Indicators

Whickham School will develop an annual budget that can be sustained by enrolment and additional sources of revenue and is in support of student academic achievement

The school's annual budget is sustained by its enrollment and additional sources of revenue. The school has a well-tested budget process that relies on building a needs based budget each year. Departmental requests are combined into a whole-school budget draft consolidated by Business Manager and Headteacher who ensure that the draft addresses the school's strategic objectives and accounts for all reasonably anticipated expenses. This draft is then converted into a proposal that is reviewed first by the Staffing, Finance & General Purposes Committee and again by the full Governing Body. Termly year-to-date reports comparing budget versus actual spending are presented to the committee where significant variances are explained in writing. While historical school expenditures have not varied significantly from the approved budget, the change in net assets has been higher than projected due to conservatively budgeted revenues.

Whickham School will demonstrate a history of positive net assets, adequate cash flow to sustain operations and support the academic programme and consistently operates within budget

Whickham School consistently maintained consistent cash flow necessary to sustain operations and advance the academic programme.

Governors' Report (*continued*)

- **Whickham School will build up reserves in order mitigate risk should there be a delay in grants or unforeseen increase in expenditure**

In the first year of the Academy Whickham School has been able to build up a reserve of £156,000 which will be carried forward into 2012/2013

- **Whickham School, where possible, will keep staffing costs to 80% or below of total income**

The accounts for 2011 – 2012 show staffing costs are 78.84% of total income

- **Whickham School will demonstrate its ability to cover any increase in pension liability for Support Staff**

The Governing Body recognise the liability existing in the South Tyneside pension scheme for support staff and are satisfied that existing cash flows are sufficient to meet any anticipated increase in costs. The pension liability has been reported within the accounts in accordance with accounting standard FRS 17.

Financial and Risk Management Objectives and Policies

The Academy made an operating surplus of £6,717,000 in the period, and held fund balances at 31 August 2012 of £6,717,000 comprising restricted reserves of £6,709,000 and unrestricted reserves of £8,000.

Total income in the period excluding income derived from the transfer of the land, buildings and associated contents upon transfer to Academy was £9,242,000, of which £8,678,000 (94%) came from Education Funding Agency revenue grants and £249,000 (2%) from other government grants. As the majority of the grant income is student number driven it is imperative that recruitment and retention levels are maintained, or increased over time.

Excluding the impact of accounting for the pensions deficit and the transfer of fixed assets, the Academy generated an operating surplus of £331k.

Principal Risks and Uncertainties

The risk register of the Academy continues to be developed but major risks facing the Academy have been reviewed during the period. As the majority of income received by the Academy is student number driven it is imperative that strategies are in place to secure recruitment from a, currently, demographically shrinking available year 6 cohort. Achievement of the strategies outlined in plans for the future should secure intake at the required level.

Reserves Policy

At the meeting of the Governing Body on 17 October 2012 it was agreed that the Academy should aim to carry forward a prudent level of resources designed to meet a long-term cyclical need of renewal and any unforeseen contingencies, subject to the constraint that the level of resources does not exceed the level permitted by the Education Funding Agency.

It was also agreed that the Academy should have a medium term target to build up a level of reserves (both restricted, i.e. General Annual Grant (GAG) and unrestricted) which equated to approximately 3 months working capital, £1.4m. This has not been met, however it was acknowledged that it may take up to 7 years to achieve this target. The Reserves Policy will be reviewed annually.

Total reserves (restricted and unrestricted) at 31 August 2012 were negative £986,000 (excluding the premises gifted from the local authority), positive £331k before the pension reserve.

Governors' Report *(continued)*

Investment Policy

The Trust board has approved a treasury policy in relation to the investment of surplus funds. The overriding principle in lending is to limit risk rather than maximise return. The following instruments are approved as investments by the Academy:

- Fixed term deposits
- Notice term deposits
- Bank or building society deposit accounts
- Money market funds

No investment will be for a duration exceeding 364 days. To reduce counterparty risk no more than £1m should be invested with a single approved counterparty. Reports are presented to the Board of Governors annually detailing the performance of investments made over that period.

Plans for Future Periods

Our objectives are set to reflect our educational aims and the ethos of the school. It is important to us that we maintain and enhance the academic success of the school. Achieving a high standard of academic results is a constant aim whilst maintaining the breadth and depth of the education provided.

1. Outstanding Educational Outcome

- **The percentage of A*/A grades to be above 23% of all grades (above national norms)**
 - One to one support for underachievers
 - Extension tasks / projects to motivate and to stretch the most able
 - Close monitoring of coursework to ensure this meets target grade
 - Regular mentoring to ensure issues are identified and acted upon quickly
 - Focus on higher order skills of analysis and evaluation to ensure higher mark bands are accessed
 - Setting in some subjects

Governors' Report (*continued*)

- **A*-B attainment in all A2 subjects to be above national norms**
 - Mock exam in all subjects prior to end of Term 1
 - Year 13 to join Year 12 for mock exams in Easter
 - Additional work scrutiny performed to support performance across all subjects
 - Identification of key students prior to parents' evening and students to have targeted meetings
 - Key students to be targeted for intervention
- **30% of all grades at AS to be A/B**
- **90% pass rate for AS courses in Year 12**
 - No January exam entries for Year 12 students
 - Y12 students to take a mock exam in the week before the Christmas
 - Mock Exam session in February to be moved to 2 weeks either side of the Easter Holidays when Students will have completed all of their course Student feedback to include A grade exemplars
 - Additional work scrutiny performed to support performance in key subjects (Ma/B1/Ch/Gs) LT to monitor and sample work scrutiny conducted on the main monitoring schedule
 - An increased focus on study skills
 - Sixth form package through PSE/Tutors
 - Subject specific package developed, rolled-out and reviewed by KS5 PLs
 - Support with student organization and information to be collected by the Sixth Form and students to be challenged and supported via tutors
 - Sixth Form Information Evening for parents of Year 12 students Parents of students on subject trials to be specifically invited
 - Identification of key students prior to parents' evening and students to have targeted meeting
 - Increased emphasis on fortnightly monitoring

2. Outstanding Quality of Learning

- **Disadvantaged students to make the same rate of progress as other students in the school**

Disadvantaged students are identified and mentored by the Deputy Headteacher They receive additional mentoring and guidance and performance is monitored on a regular basis Specific interventions are implemented where underperformance is identified

Governors' Report *(continued)*

- **To have vibrant learning culture**

The new Faculty Teaching and Learning Team have devised a learning programme to develop a vibrant learning culture over the course of the year. This was launched by Alistair Smith in November and will be followed by a series of school led initiatives from jam arty onwards. Colleagues have opted to follow courses in Outstanding Lesson Planning, Independent Learning Cooperative Learning/Effective Group Work Innovative Pedagogy Behaviour for Learning Effective use of ICT/VLE Differentiation and Leadership. In addition, there will be two whole foc1 to address the needs of the more able and our AEN students. All of the above, reinforced by a Whickham School taxonomy of Learning, will support the implementation of a vibrant learning culture.

- **All students to have high quality independent learning experience in all subjects**

Our recent work has had a focus on the development of independent learning experiences. In addition to the sessions planned on the development of independent learning colleagues are aware that outstanding lessons judgements require students to demonstrate independence and resilience in their learning. Two colleagues are attending a series of twilight session run-in partnership with Gateshead LA and Newcastle University to foreground independent learning at KS5.

- **30% of all lessons judged outstanding**

In March 2013, the school will participate in a two-day assisted review to measure our progress towards outstanding. This review will be preceded by a number of sessions where we share the features of outstanding learning with colleagues and the steps required to meet them.

- **Value added measures KS4 to be 1010+**

- **KS5 to be positive in LAT**

Our examination reviews in October identified a number of key faculty objectives that will contribute towards these whole school objectives. Individual appraisal objectives have been aligned to faculty objectives, creating a coherent structure for school improvement and the fulfilment of our institutional objectives. The subsequent faculty development plans provide the strategies to achieve these outcomes whilst our monitoring schedule ensures on-going review of the effectiveness of the strategies and their implementation. The Director of Sixth form has provided specific guidance on how to reach our KS5 LAT target.

3 Challenge, Guidance and Support

- **Students with Additional Educational Needs to make the same rate of progress as other students in the school**
- **Reduce the percentage of students with reading ages below their chronological age to 5%**
- **Pupil premium deployed to best enable narrowing the gap**
 - Facilitate the teaching of some students in smaller sized classes
 - Provision of an integrated and targeted programme of one-to-one support and mentoring of individual students
 - Provision of supervised study support and facilities to enhance learning beyond the normal school day
 - Provision of enhanced resources, including investment in improved ICT facilities

Governors' Report (continued)

4. Training and Development

All staff to implement at least one training led change to their teaching, that is directly related to a school or faculty objective

5. Leadership

- Sixth Form recruitment and retention to exceed previous records (Y12 205, Y13 185)
- Y7 to be oversubscribed for September 2013
- To have a sustainable and stable financial plan for the next three years
- All aspects of school improvement to be coherent

6. Diverse opportunities that engage

- **50% of students to regularly take part in enrichment activities provided by the school**
- **90% of students to have accessed a school enrichment activity at least once in the year**

Audit enrichment opportunities in all faculties, categorise enrichment School trip, After school, Lunch time, VLE at home, Rich experience, Within lessons (activities, external workers, coaches, visits) and Visitors

7. Positive Personal Qualities, Attributes, Attitudes and Behaviours

- **Students understand the impact of discrimination and their duty to promote equality.**
- **All students to have the opportunity to demonstrate resilience.**

Auditor

In so far as the governors are aware

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approved by order of the members of the Governing Body on 17 December 2012 and signed on its behalf by

Signed



Mr T Hopper
Chair

Governance Statement

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that Whickham School and Sports College (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 Whickham School and Sports College (Academy Trust) and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information on Governance included here supplements that described in the Governors Report in the Statement of Trustees Responsibilities. The Governing Body has formally met four times during the year. Attendance during the year at meetings at the Governing Body was as follows:

| Name | Category | 4/10/11 | 29/11/11 | 6/3/12 | 12/6/12 |
|----------------------------------|------------------|-----------------|----------|--------|---------|
| Tom Hopper | Member appointed | P | P | P | P |
| Jackie Butler | Member appointed | P | P | P | P |
| Vacancy - was Angela Charlton | Member appointed | A | - | - | - |
| Mark Crabtree | Member appointed | P | P | P | P |
| Cllr Peter Maughan | Member appointed | NO APOLOGIES | A | P | A |
| Iena Poste | Member appointed | P | P | P | P |
| Denise Walden | Member appointed | P | P | P | P |
| Tony Wilson | Member appointed | P | P | P | P |
| Tony Hewison | Member appointed | P | A | A | P |
| Dee Stephenson | Member appointed | P | A | P | P |
| Alison Patterson | Staff | P | P | P | P |
| Ian Gunn | Staff | P | A | P | A |
| Ross Hogarth | Staff | A | P | P | P |
| Deborah Camsell | Staff | P | P | A | P |
| Steve Haigh | Principle | P | P | P | P |
| Cllr Gary Haley | Local Authority | NO APOLOGIES | P | A | P |
| Gloria Anderson | Parent | P | P | P | A |
| Sasha Ban | Parent | P | P | P | P |
| Philip Price | Parent | P | P | P | P |
| Geoffrey Little | Parent | P | A | P | A |
| Ray Tolley | Parent | P | P | P | P |
| Cllr M Brain | Parent | - | - | - | A |
| Katrina Haigh | Co-opted | - | P | P | P |

Governance Statement *(continued)*

Finance Committee Governor Attendance

| Name | 2/11/11 | 8/2/11 | 14/3/12 | 26/3/12 | 3/5/12 | 16/5/12 |
|------------------|---------|--------|---------|---------|--------|---------|
| Sasha Ban | P | P | P | P | P | P |
| Jacqui Butler | P | P | A | P | - | - |
| Mark Crabtree | P | P | P | A | A | P |
| Ian Gunn | P | P | P | P | A | P |
| Steve Hargh | P | P | P | P | P | P |
| Gary Haley | - | P | - | A | A | P |
| Tom Hopper | P | P | - | P | P | P |
| Alison Patterson | A | P | P | P | P | P |
| Iena Potse | P | P | P | P | P | P |
| Tony Wilson | P | P | P | P | P | P |

The purpose of the system of internal control

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

Capacity to handle risk

The Governing Body has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

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 the Governing Body,
- termly reviews by the Finance and General Purposes 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, and
- identification and management of risks

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed A G Hewison, a governor as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities supported by external auditors KPMG LLP.

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 governance self assessment process, and
- the work of the business and finance managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

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

Governance Statement *(continued)*

Approved by order of the members of the Governing Body on 17 December 2012 and signed on its behalf
by

Signed


Mr T H Hopper

Chair /

Signed


Mr S J Haigh

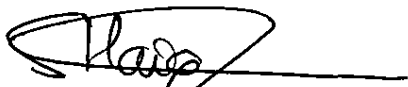
Accounting Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of Whickham School and Sports College 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.



Mr S J Haigh

Accounting officer

Statement of Governors' Responsibilities

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

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

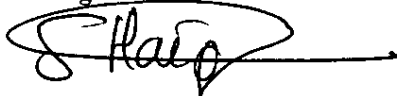
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

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

The governors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Approved by order of the members of the governing body on 17 December 2012 and signed on its behalf by

Signed



Mr S J Haigh
Accounting Officer



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent Auditor's Report to the members of Whickham School and Sports College Limited

We have audited the financial statements of Whickham School and Sports College Limited for the year ended 31 August 2012 set out on pages 31 to 48. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2011/12 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company's (the Academy's) members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2011/12 issued by the Education Funding Agency ("EFA"), on terms that have been agreed. 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, in respect of the separate opinion in relation to compliance with the Accounts Direction 2011/12 issued by the EFA, those matters which we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' Responsibilities set out on page 26 the Governors (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which 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 auditing standards require us to comply with the Auditing Practices Board'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Academy's affairs at 31 August 2012, 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 UK 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 2011/12 issued by the EFA.

Independent Auditor's Report to the members of Whickham School & Sports College (*continued*)

Opinion on other matters prescribed by the Companies act 2006

In our opinion, the information given in the report of the Governors for the financial year 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 by the Academy, 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



MR Thompson, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside House
Newcastle upon Tyne
NE1 3DX

19 December 2012



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
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United Kingdom

Independent Accountant's Report on Regularity to the Governing Body

In accordance with the terms of our engagement letter dated 3 December 2012 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 Whickham School & Sports College during the period 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the Governing Body and the EFA. Our review work has been undertaken so that we 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 reporting accountant

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 guidance set out in the EFA's Financial Handbook and the Academies Accounts Direction 2011/12. 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 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Academies Accounts Direction 2011/12 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 1 September 2011 to 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.

M. R. Thompson

MR Thompson, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside House
Newcastle upon Tyne
NE1 3DX

19 December 2012

Statement of Financial Activities
for the year ended 31 August 2012

| | <i>Note</i> | Unrestricted funds | Restricted non fixed asset funds | Restricted fixed asset funds | Total 2012 £000 |
|---|-------------|-----------------------|---|------------------------------------|-----------------------|
| | | £000 | £000 | £000 | £000 |
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary income | 3 | 27 | 164 | 8,308 | 8,499 |
| Activities for generating funds | 4 | 109 | 5 | - | 114 |
| Investment income | 5 | 1 | - | - | 1 |
| Incoming resources from charitable activities | | | | | |
| Funding for the Academy's educational operations | 6 | - | 8,936 | - | 8,936 |
| Total incoming resources | | 137 | 9,105 | 8,308 | 17,550 |
| Resources expended | | | | | |
| Costs of generating Voluntary income | | (50) | (36) | - | (86) |
| Fundraising trading | | (79) | - | - | (79) |
| Charitable activities | | | | | |
| Academy's educational operations | 8 | - | (9,456) | (679) | (10,135) |
| Governance costs | 9 | - | (16) | - | (16) |
| Total resources expended | 7 | (129) | (9,508) | (679) | (10,316) |
| Transfers | | | | | |
| Gross transfers between funds | | - | (74) | 74 | - |
| Net incoming/(outgoing) resources before other recognised gains and losses | 16 | 8 | (477) | 7,703 | 7,234 |
| Other recognised gains and losses | | | | | |
| Actuarial losses on defined benefit pension schemes | 26 | - | (517) | - | (517) |
| Net movement in funds | | 8 | (994) | 7,703 | 6,717 |
| Funds carried forward at 31 August 2012 | | 8 | (994) | 7,703 | 6,717 |

All of the Academy's activities derive from continuing operations during the above two financial years

The Statement of Financial Activities incorporates the Income and Expenditure Account and Statement of Total Recognised Gains and Losses

Balance Sheet
at 31 August 2012

| | <i>Note</i> | 2012 £000 | £000 |
|---|-------------|----------------------------|----------------|
| Fixed assets | | | |
| Tangible assets | <i>13</i> | | 7,394 |
| Current assets | | | |
| Debtors | <i>14</i> | 293 | |
| Cash at bank and in hand | | 746 | |
| | | <u>1,039</u> | |
| Creditors: amounts falling due within one year | <i>15</i> | <u>(399)</u> | |
| Net current assets | | | <u>640</u> |
| Total assets less current liabilities | | | <u>8,034</u> |
| Defined benefit pension scheme liability | <i>26</i> | | <u>(1,317)</u> |
| Net assets | | | <u>6,717</u> |
| Funds of the Academy: | | | |
| Restricted fixed asset funds | <i>16</i> | | 7,703 |
| Restricted non fixed asset funds | <i>16</i> | | (994) |
| Unrestricted funds | <i>16</i> | | 8 |
| | | | <u>6,717</u> |

These financial statements on pages 30 to 46 were approved by the Governors on 17 December 2012 and were signed on their behalf by


Chairman of the Governors
Mr T Hopper

Company number 07729766

Cash Flow Statement

for the year ended 31 August 2012

| | <i>Note</i> | 2012 £000 |
|---|-------------|----------------------|
| Net cash inflow from operating activities | <i>19</i> | 510 |
| Returns on investments and servicing of finance | <i>20</i> | 1 |
| Capital expenditure | <i>21</i> | 235 |
| | | <hr/> |
| Increase in cash in the year | <i>22</i> | 746 |
| | | <hr/> |
| Reconciliation of net cash flow to movement in net funds | | |
| Net funds at 1 September 2011 | | - |
| | | <hr/> |
| Net funds at 31 August 2012 | | 746 |
| | | <hr/> |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of Whickham School and Sports College Limited

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the YPLA 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 ie 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 has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability

- Grants receivable

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

- Sponsorship income

Sponsorship income provided to the Academy which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt

- Donations

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

- Other income

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

- Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's policies

Notes (continued)

1 Accounting policies (continued)

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.

- Costs of generating funds

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

- Charitable activities

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

- Governance costs

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

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy's depreciation policy.

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:

| | |
|----------------------------------|------------|
| Leasehold buildings | - 12 years |
| Furniture, fixtures and fittings | - 5 years |
| Motor vehicles | - 5 years |
| Computer equipment and software | - 5 years |

All individual assets with a cost of more than £2,500 are written down in the period they are purchased.

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

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Taxation

The Academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2011 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2011 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

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Young People's Learning Agency (formerly the Department for Education) where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Young People's Learning Agency (formerly the Department for Education).

Notes (continued)

2 General Annual Grant (GAG)

a) Results and carry forward for the year

| | 2012 £000 |
|--|--------------------|
| GAG brought forward from previous year | - |
| GAG allocation for current year | 8,536 |
| Total GAG available to spend | 8,536 |
| Recurrent expenditure from GAG | (8,155) |
| Fixed assets purchased from GAG | (74) |
| Total expenditure from GAG | (8,229) |
| GAG carried forward to next year | 307 |
| Maximum permitted GAG carry forward at end of current year (12% of allocation for current year) | (1,024) |
| GAG to surrender to DfE (12% rule breached if result is positive) | (717) No breach |

3 Voluntary income

| | Unrestricted funds £000 | Restricted funds £000 | Total 2012 £000 |
|-------------------|-------------------------------|-----------------------------|-----------------------|
| Capital donations | - | 8,308 | 8,308 |
| Other donations | 27 | 164 | 191 |
| | <u>27</u> | <u>8,472</u> | <u>8,499</u> |

4 Activities for generating funds

| | Unrestricted funds £000 | Restricted funds £000 | Total 2012 £000 |
|---------------------------------|-------------------------------|-----------------------------|-----------------------|
| Sundry income | 4 | - | 4 |
| Shop and commission income | - | 5 | 5 |
| Sports and coaching income | 29 | - | 29 |
| Hire of premises and facilities | 60 | - | 60 |
| Training income | 16 | - | 16 |
| | <u>109</u> | <u>5</u> | <u>114</u> |

5 Investment income

| | Unrestricted funds £000 | Restricted funds £000 | Total 2012 £000 |
|---------------------|-------------------------------|-----------------------------|-----------------------|
| Short term deposits | 1 | - | 1 |

Notes (continued)

6 Funding for the Academy's educational operations

| | Unrestricted funds £000 | Restricted funds non fixed assets £000 | Restricted fixed assets funds £000 | Total 2012 £000 |
|-------------------------------------|-------------------------------|--|---|-----------------------|
| DfE/YPLA revenue grants | | | | |
| General Annual Grant (GAG) (note 2) | - | 8,536 | - | 8,536 |
| Other DfE/EFA grants | - | 151 | - | 151 |
| | - | 8,687 | - | 8,687 |
| Other Government Grants | | | | |
| Special Education Projects | - | 249 | - | 249 |
| | - | 8,936 | - | 8,936 |

7 Resources expended

| | Staff costs £000 | Depreciation £000 | Other costs £000 | Total 2012 £000 |
|--|---------------------|----------------------|---------------------|-----------------------|
| Costs of generating voluntary income | 52 | - | 34 | 86 |
| Fundraising trading | 79 | - | - | 79 |
| Academy's educational operations, | | | | |
| Direct costs | 6,207 | - | 346 | 6,553 |
| Allocated support costs | 562 | 679 | 2,341 | 3,582 |
| | 6,900 | 679 | 2,721 | 10,300 |
| Governance costs including allocated support costs | - | - | 16 | 16 |
| Total resources expended | 6,900 | 679 | 2,737 | 10,316 |

Incoming/outgoing resources for the year include

| | 2012 £000 |
|---------------------------------|--------------|
| Fees payable to auditor - audit | 8 |
| - other services | 3 |
| | 11 |

Notes (continued)

8 Charitable activities – Academy’s educational operations

| | Unrestricted funds £000 | Restricted funds £000 | Total 2012 £000 |
|---|-------------------------------|-----------------------------|-----------------------|
| Direct costs | | | |
| Teaching and educational support staff costs | - | 6,187 | 6,187 |
| Educational supplies | - | 63 | 63 |
| Examination fees | - | 187 | 187 |
| Staff development | - | 20 | 20 |
| Other direct costs | - | 96 | 96 |
| | - | 6,553 | 6,553 |
| Allocated support costs | | | |
| Support staff costs | - | 562 | 562 |
| Depreciation | - | 679 | 679 |
| Staff recruitment and pupil support | - | 13 | 13 |
| Maintenance of premises and equipment | - | 232 | 232 |
| Cleaning | - | 151 | 151 |
| Heat and light | - | 170 | 170 |
| Insurance | - | 115 | 115 |
| Security and transport | - | 25 | 25 |
| Catering | - | 53 | 53 |
| Technology costs | - | 252 | 252 |
| Premises costs | - | 170 | 170 |
| Other support costs | - | 279 | 279 |
| Professional fees | - | 82 | 82 |
| Take on of defined benefit scheme liability upon transfer to Academy | | 799 | 799 |
| | - | 3,582 | 3,582 |
| | - | 10,135 | 10,135 |

9 Governance costs

| | 2012 £000 |
|--|--------------|
| Auditor’s remuneration - audit of financial statements | 8 |
| - other fees | 3 |
| Legal and professional fees | 5 |
| | 16 |

Fees paid to the auditors in the period comprise £7,500 in relation to the audit of the financial statements

Notes (continued)

10 Staff costs

Staff costs during the period were

| | 2012 £000 |
|-----------------------|-------------------|
| Wages and salaries | 5,530 |
| Social security costs | 445 |
| Other pension costs | 755 |
| | <hr/> 6,730 <hr/> |
| Supply teacher costs | <hr/> 112 <hr/> |

Average number of employees during the year

| | 2012 Number |
|----------------------------|-----------------|
| Teachers | 108 |
| Administration and support | 53 |
| Management | 11 |
| | <hr/> 172 <hr/> |

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

| | 2012 Number |
|--------------------|----------------|
| £60,000 - £70,000 | 2 |
| £70,000 - £80,000 | - |
| £80,000 - £90,000 | - |
| £90,000 - £100,000 | 1 |
| | <hr/> 3 <hr/> |

Three of the above employees earning more than £60,000 per annum participated in the Teachers' Pension Scheme, a defined benefit scheme. During the year ended 31 August 2012, the pension contributions for these staff amounted to £32,722.

11 Governors' remuneration and expenses

The Principal and staff governors only receive remuneration in respect of services they provide undertaking the role of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments from the Academy in respect of their role as governors. The value of the Principal's remuneration was £95,213 in 2012. This sum was in relation to one Principal.

The Governors' did not receive any reimbursements in relation to expenses in the year. Related party transactions involving the trustees are set out in note 23.

Notes (continued)

12 Governors' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 (2011 £2,000,000) on any one claim and the cost for the year ended 31 August 2012 was £1,016 (2011 £1,016)

13 Tangible fixed assets

| | Leasehold land and buildings £000 | Furniture, fixtures and fittings £000 | Motor vehicles £000 | Computer equipment and software £000 | Total £000 |
|---|--|--|---------------------------|---|---------------|
| Cost | | | | | |
| Assets taken on upon transfer to Academy | 7,637 | 20 | 48 | 294 | 7,999 |
| Additions | - | 15 | - | 59 | 74 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 7,637 | 35 | 48 | 353 | 8,073 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | | |
| Charge for year | 569 | 8 | 14 | 88 | 679 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 569 | 8 | 14 | 88 | 679 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | | |
| At 31 August 2012 | 7,068 | 27 | 34 | 265 | 7,394 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 August 2011 | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

14 Debtors

| | 2012 £000 |
|--------------------------------|--------------|
| Trade debtors | 36 |
| Prepayments and accrued income | 5 |
| VAT recoverable | 252 |
| | <hr/> |
| | 293 |
| | <hr/> |

15 Creditors: amounts falling due within one year

| | 2012 £000 |
|------------------------------|--------------|
| Trade creditors | 266 |
| Accruals and deferred income | 133 |
| | <hr/> |
| | 399 |
| | <hr/> |

Notes (continued)

16 Funds

| | Balance at 1 September 2011 £000 | Incoming resources £000 | Resources expended £000 | Gains, losses and transfers £000 | Balance at 31 August 2012 £000 |
|---|--|-------------------------------|-------------------------------|--|--------------------------------------|
| Restricted non fixed asset funds | | | | | |
| Voluntary income | - | 164 | (36) | - | 128 |
| General Annual Grant (GAG) | - | 8,536 | (8,206) | (74) | 256 |
| LEA and other grants | - | 232 | (233) | - | (1) |
| Other DfE/YPLA grant | - | 173 | (17) | - | 156 |
| Pension reserve | - | - | (1,016) | (517) | (1,533) |
| | - | 9,105 | (9,508) | (591) | (994) |
| Restricted fixed asset funds | | | | | |
| DfE/YPLA capital grants | - | 283 | - | - | 283 |
| Sponsorship fixed assets | - | 8,000 | (679) | 74 | 7,395 |
| LEA and other grants | - | 25 | - | - | 25 |
| | - | 8,308 | (679) | 74 | 7,703 |
| Unrestricted funds | | | | | |
| Activities for generating funds | - | 109 | (79) | - | 30 |
| Investment income | - | 1 | - | - | 1 |
| Voluntary income | - | 27 | (50) | - | (23) |
| | - | 137 | (129) | - | 8 |
| Total | | 17,550 | (10,316) | (517) | 6,717 |

Notes

- (i) General Annual Grant must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% can be used for general purposes at the discretion of the Academy, but any balance over 2% must be used for capital purposes.
- (ii) Capital grants are awarded by the EFA to fund building improvements.
- (iii) The gross transfer from the restricted general fund to the restricted fixed asset fund of £74,000 represents the total capital expenditure from revenue income during the year.
- (v) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted non fixed asset fund. Staff costs are paid from this fund, including contributions to the LGPS, and the pension liability has therefore been aligned with these costs.

Notes (continued)

17 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

| | Unrestricted funds £000 | Restricted non fixed assets funds £000 | Restricted fixed asset funds £000 | Total £000 |
|---|-------------------------------|--|--|---------------|
| Fund balances at 31 August 2012 are represented by | | | | |
| Tangible fixed assets | - | - | 7,394 | 7,394 |
| Current assets | 8 | 722 | 309 | 1,039 |
| Current liabilities | - | (399) | - | (399) |
| Defined benefit pension scheme liability | - | (1,317) | - | (1,317) |
| | <u>8</u> | <u>(994)</u> | <u>7,703</u> | <u>6,717</u> |

18 Financial commitments

The Academy had no capital or operating lease commitments at 31 August 2012

19 Reconciliation of net income to net cash inflow from operating activities

| | 2012 £000 |
|--|--------------|
| Net income | 7,234 |
| Depreciation (note 13) | 679 |
| Capital grants from DfE and other capital income | (309) |
| Donated assets | (8,000) |
| Interest receivable (note 5) | (1) |
| FRS 17 pension cost less contributions payable (note 26) | 801 |
| Increase in debtors | (293) |
| Increase in creditors | 399 |
| Net cash inflow from operating activities | 510 |

20 Returns on investments and servicing of finance

| | 2012 £000 |
|--|--------------|
| Interest received | - |
| Net cash inflow from returns on investments and servicing of finance | 1 |

Notes (continued)

21 Capital expenditure and financial investment

| | 2012 £000 |
|--|--------------|
| Purchase of tangible fixed assets | (74) |
| Capital grants from DfE/YPLA | 309 |
| | <hr/> |
| Net cash outflow from capital expenditure and financial investment | 235 |
| | <hr/> |

22 Analysis of changes in net funds

| | At 1 September 2011 £000 | Cash flows £000 | At 31 August 2012 £000 |
|--------------------------|--------------------------------|--------------------|------------------------------|
| Cash in hand and at bank | - | 746 | 746 |
| | <hr/> | <hr/> | <hr/> |

23 Related party transactions

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.

24 Contingent liabilities

During the period of the funding agreement, in the event of the sale or disposal by other means of any asset for which a government capital grant was received, the Academy is required either to reinvest the proceeds or to repay to the Secretary of State for Children, Schools and Families the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the funding agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to

- a) the value at the 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.

25 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.

Notes (continued)

26 Pension and similar obligations

The Academy's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Tyne and Wear Pension Fund. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The 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 £166,540 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of returns 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.

Notes (continued)

26 Pension and similar obligations (continued)

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 year ended 31 August 2012 was £278,000 of which employer's contributions totalled £216,000 and employees' contributions totalled £62,000. The agreed contribution rates for the period ended 31 August 2012 were 15.9% for employers and 6.0% for employees.

Principal Actuarial Assumptions

| | At 31 August 2012 |
|--|----------------------|
| Rate of increase in salaries | 4.7% |
| Rate of increase for pensions in payment / inflation | 2.2% |
| Discount rate for scheme liabilities | 4.2% |
| Inflation assumption (CPI) | 2.2% |
| Commutation of pensions to lump sums | |
| - amount of past service entitlements | 50% |
| - amount of future service entitlements | 75% |
| Increase deferred pension | 2.2% |
| Inflation assumption RPI | 3.2% |

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 | 21.6 |
| Females | 23.8 |
| <i>Retiring in 20 years</i> | |
| Males | 23.4 |
| Females | 25.7 |

Notes (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme

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

| | Expected return at 31 August 2012 | Fair value at 31 August 2012 £000 |
|-------------------------------------|---|--|
| Equities | 7.5% | 1,239 |
| Guaranteed bonds | 2.5% | 137 |
| Property | 7.0% | 169 |
| Cash | 1.3% | 36 |
| Corporate bonds | 3.2% | 227 |
| Other | 7.5% | 72 |
| Total market value of assets | | 1,880 |
| Present value of scheme liabilities | | |
| - Funded | | (3,197) |
| Deficit in the scheme | | (1,317) |

The actual return on scheme assets was £128,000

Amounts recognised in the statement of financial activities

| | 2012 £000 |
|---|--------------|
| Recognition of opening deficit upon transfer to Academy | 799 |
| Current service cost | 196 |
| Total operating charge | 995 |
| Analysis of pension finance (costs)/income | |
| Expected return on pension scheme assets | (109) |
| Interest on pension liabilities | 130 |
| Pension finance costs | 21 |

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

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS 17 is a £517,000 loss

Notes (continued)

26 Pension and similar obligations (continued)

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

| | 2012 £000 |
|---|--------------|
| At 1 September | - |
| Take on of liabilities on transfer to Academy | 2,291 |
| Current service cost | 196 |
| Interest cost | 130 |
| Employee contributions | 62 |
| Actuarial loss | 536 |
| Benefits paid | (18) |
| | <hr/> |
| At 31 August | 3,197 |
| | <hr/> |

Movements in the fair value of the Academy's share of scheme assets:

| | 2012 £000 |
|--|--------------|
| At 1 September | - |
| Take on of assets on transfer to Academy | 1,492 |
| Expected return on assets | 109 |
| Actuarial gain | 19 |
| Employer contributions | 216 |
| Employee contributions | 62 |
| Benefits paid | (18) |
| | <hr/> |
| At 31 August | 1,880 |
| | <hr/> |

The estimated value of employer contributions for the year ended 31 August 2013 is £226,000



cutting through complexity™

Whickham School and Sports College

Audit highlights memorandum and
management letter

Year ended 31 August 2012
December 2012

Content

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in connection with this
report are

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Executive Summary

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This report is made solely to the Board of Whickham School and Sports College ("the Academy") and, without extending to the Education Funding Agency ("the Agency") our duties and responsibilities in respect of any matters related to our audit of the financial statements, to the Agency, in accordance with the terms of our engagement. It has been released to the Academy on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the Academy's own internal purposes) or in part, without our prior written consent. We acknowledge that the Academy will disclose this report to the Agency, to enable the Agency to verify that a report to the Academy by way of management letter has been commissioned by the Academy and issued by the Academy's auditors, and to facilitate the discharge by the Agency of its functions in respect of the Academy. Matters coming to our attention during our audit work and during our regularity reporting work have been considered so that we might state to the Academy those matters we are required to state to the Academy in this report and for no other purpose. To the fullest extent permitted by law, (but without extending to the Agency our duties and responsibilities in respect of any matters related to our audit of the financial statements), we do not accept or assume responsibility to anyone other than the Academy, for our work referable to this report, for this report, or for the opinions we have formed.

Please note that this report is confidential between the Academy and this firm and between the Agency and this firm. Any disclosure of this report beyond what is permitted above will prejudice this firm's commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If the Academy or the Agency ('you') receive a request for disclosure of this report under the Freedom of Information Act 2000, having regard to these actionable disclosure restrictions you must let us know and you must not make a disclosure in response to any such request without our prior written consent.

Executive summary – audit progress and key audit issues

| Issue | Summary | Page |
|---|--|-------|
| Audit progress and status | <p>Our audit is now substantially complete and we anticipate issuing an unqualified audit opinion for the year on the Academy financial statements, following the approval of the financial statements by Audit Committee and Trustees</p> <p>The following matters are currently outstanding</p> <ul style="list-style-type: none"> ■ confirmation immediately prior to the accounts being signed that no significant events have taken place since the time of our audit that would impact on the financial statements, and ■ receipt of the management representation letter. This has been issued to you separately and asks the Trustees to confirm to us general and specific matters in line with International Standards on Auditing | 10 |
| Audit Issues Identified | <p>Under the requirements of ISA 260 Communications of audit matters with those charged with governance, we are required to report any material adjusted audit differences arising from our work</p> <p>All audit differences are included at Appendix 1</p> <p>We are also required to report any unadjusted audit differences, other than those that are 'clearly trivial' to the Audit Committee. We have no unadjusted differences to report</p> | App 1 |
| Performance Improvement Observations | <p>We have identified performance improvement observations which we are required to bring to your attention</p> | 11 |

Acknowledgements

We would like to take this opportunity to thank the Business Manager, Finance Manager and all other staff we met during our audit for their co-operation and assistance

Section one

Introduction

Background

The purpose of this report is to set out certain matters which came to our attention during the course of our audit of the accounts of Whickham School and Sports College ("the Academy") for the year ended 31 August 2012

The purpose of our audit

The main purpose of our audit which is carried out in accordance with International Auditing Standards ("ISAs") issued by the Auditing Practices Board, is to report to the Academy whether in our opinion the financial statements

- give a true and fair view of the state of affairs of the Academy at 31 August 2012, and of its incoming resources and application of resources, including recognised gains and losses and cash flows for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- have been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005),
- have been prepared in accordance with the Companies Act 2006, and
- have been prepared in accordance with the Academies Accounts Direction 2011/12 issued by the EFA as well as the Academies Financial Handbook - Statutory and Regulatory guidance

Regularity opinion

In addition to a report expressing an opinion on the financial statements, we are also required to express an opinion on regularity stating whether

- Anything has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period of account has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

This represents a change in scope from our original tender (first raised in Accounts Direction 2011/12 with guidance issued in October 2012)

Management letter

Our objective is to use our knowledge of the Academy gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form the above audit opinions on the annual financial statements of the Academy and should not be relied upon to disclose errors or irregularities which are not material in relation to those financial statements

All issues raised in the report have been discussed with management and we have included responses where appropriate. In order to provide an indication of the level of importance of the recommendations made, we have prioritised our recommendations into the following categories

- **high** – matters that are considered fundamental, against which management should take action as soon as possible,
- **medium** – matters that are considered significant, that should be addressed within three to six months, and
- **low** – matters that merit attention and would improve overall control

Independence

KPMG conforms to the highest governance standards at all times and we will ensure that any additional services are approved by the Academy ensure transparency. KPMG provided the following services additional to the financial statements audit to the Academy

- Responsible Officer role – £2,250
- Regularity audit work - £750 (not included in financial statements audit fee)

ISA 260 'Communication of audit matters with those charged with governance' requires us to communicate at least once a year regarding all relationships between KPMG and Whickham School and Sports College Limited that may be reasonably thought to have bearing on our independence

We have made enquiries of all KPMG teams providing services to the Academy and are not aware of any relationships which represent matters that have occurred during the financial year on which we are to report

Section two

Highlights memorandum

This section of our report summarises the main features of the financial statements and key movements from the prior financial year

Statement of Financial Activities

The financial results of the Academy for the year ended 31 August 2012 are shown in the income and expenditure account below

| Statement of Financial Activities incorporating Income and Expenditure Account 31 August 2012 | |
|---|-----------------|
| £000 | 2012 |
| Income resources | |
| Incoming resources from generated funds | |
| Voluntary income | 8,499 |
| Activities for generating funds | 114 |
| Investment income | 1 |
| Incoming resources from charitable activities | |
| Funding for the Academy's educational activities | 8,936 |
| Total incoming resources | 17,550 |
| Resources expended | |
| Costs of generating Voluntary income | |
| Fundraising trading | (86) |
| Charitable activities | |
| Academy's educational operations | (10,135) |
| Governance costs | (16) |
| Total resources expended | (10,316) |
| Net (outgoing)/incoming resources before transfers | 7,234 |
| Other recognised gains and losses | |
| Actuarial losses on defined benefit pension schemes | (517) |
| Net movement in funds | 6,717 |
| Total funds brought forward at 1 September 2011 | - |
| Total funds carried forward at 31 August 2012 | 6,717 |

Result for the year

Incoming resources for the year primarily comprise General Annual Grant ("GAG") income of £8,536k and income recognised upon transfer of land and buildings and associated contents from the predecessor school on 1 September 2011 of £8,308k

Resources expended primarily comprise pay costs of £6,900k, depreciation charge of £679k, and £799k recognised in respect of the LGPS liability inherited upon transfer Academy

Section two

Highlights memorandum (continued)

Balance sheet

| Balance sheet as at 31 August 2012 | |
|---|----------------|
| £000 | 2012 |
| Fixed assets | |
| Tangible assets | 7,394 |
| Current assets | |
| Debtors | 293 |
| Cash at bank in hand | 746 |
| Liabilities | |
| Creditors Amounts falling due within one year | (399) |
| Net current assets | 640 |
| Total assets less current liabilities | 8,034 |
| Defined benefit pension scheme liability | (1,317) |
| Net assets | 6,717 |
| Funds of the Academy | |
| Restricted fixed asset funds | 7,703 |
| Restricted non fixed asset funds | (994) |
| Unrestricted funds | 8 |
| Total Funds | 6,717 |

Tangible assets include leasehold land and depreciated buildings of £7,068k, of which buildings of £6,268k are being depreciated over a period of 12 years and computer equipment, motor vehicles and fixtures and fittings of £327k

Debtors include VAT recoverable of £252k

Defined benefit pension liability includes opening liability inherited from the LGPS upon transfer to Academy of £799k, an actuarial loss of £517k and income and expenditure charge of £217k and net of contributions to the scheme of £216k

Section two

Highlights memorandum (continued)

FRS 17 retirement benefits – results and assumptions overview

The Academy has implemented the provisions of FRS 17 and has therefore again taken onto the balance sheet the actuarial valuation of the pension liability in respect of its share of the Tyne & Wear Pension Fund

No such requirement exists for the Teachers' Pension Scheme obligations as this is a multi-employer scheme where the individual assets and liabilities cannot be separately identified for each employer and therefore accounted for as a defined contribution scheme under the provisions of FRS 17

A summary of the key balance sheet and income and expenditure entries is set out below

| Balance sheet (£m) | 31 August 2012 |
|--------------------|----------------|
| Assets | 1,880 |
| Liabilities | (3,197) |
| Deficit | (1,317) |

| I&E (£m) | Year to 31 August 2012 |
|--|------------------------|
| Inherited liability upon transfer to Academy | 799 |
| Service cost | 196 |
| Interest cost | 130 |
| Expected return on assets | (109) |
| Past service cost | - |
| Settlements / curtailments | - |
| Total I&E charge | 1,016 |

| Movement in deficit (£m) | Year to 31 August 2012 |
|----------------------------|------------------------|
| Employer contributions | 216 |
| I&E charge | (1,016) |
| Liability gain / (loss) | (536) |
| Asset gain / (loss) | 19 |
| Movement in deficit | (1,317) |

Source Independent actuary's report

The total pension cost for the year, including Teachers' Pension Scheme contributions and the net interest cost £756k

During the course of the audit we have reviewed the actuarial assumptions and consulted with KPMG's pensions team. Overall, the assumptions adopted fall within an acceptable range

- The discount rate assumptions are outside of our benchmark ranges however the methodology used is considered reasonable
- The expected return on asset assumptions for the year to 1 September 2011 to 31 August 2012 are within our benchmark ranges with the exception of the return on property assets which appears high, however it is noted that property assets do not comprise a significant proportion of the total scheme assets as at 31 August 2012

Section two

Highlights memorandum (continued)

FRS 17 retirement benefits – results and assumptions overview continued

- Additionally we note that whilst we have reviewed the assumptions and methodology of the derivation of the pensions disclosures for compliance with FRS17 based on the information provided, we have not reviewed the basis underlying the deficit that was attributed to the academy at the point of conversion. In particular, there are two main areas under which this initial deficit might have been inappropriate
 - 1) *Data used in allocating the deficit* At the point of conversion from a maintained school, the Actuary determined a deficit to allocate to the academy, and a contribution rate. Historically, the data required in order to calculate these amounts has not been recorded, the result being that we have seen a number of cases where the data used in these calculations has not been accurate, leading to incorrect contributions being made, and incorrect balance sheet positions being disclosed.
 - 2) *Deficit allocation methodology* On a separate, but related issue, there is little guidance to Actuaries as to how to determine the deficit to be allocated. The result is that the actuaries of different LGPS's have taken different approaches. Typically, converting schools have not questioned the methodology used and have relied on the Actuaries' determination of the approach. We believe it is important for individual academies to ensure that they understand and agree with the methodology used. Finally, in determining the correct deficit to allocate to the academy, the Actuary should use up-to-date financial market conditions. We are aware of some actuaries taking more approximate approaches which can also lead to the deficit being incorrectly allocated.

Section two

Highlights memorandum (continued)

Pension liabilities

The Academy is a member of the following pension schemes

- Teachers Pension Scheme – England and Wales (TPS)
- Local Government Pension Scheme (LGPS)

In accordance with guidance set out in FRS 17 Retirement Benefits the TPS qualifies as a multi employer scheme, as the Academy is unable to identify its share of scheme assets and liabilities. Accordingly the scheme is accounted as if it were a defined contribution scheme, with annual contributions expensed as incurred.

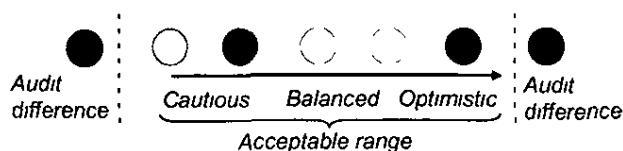
The LGPS is however accounted as a defined benefit scheme and, as such, the liability attributed to the Academy is recorded on the balance sheet. In order to calculate the value of the liability at the opening and closing balance sheet date, certain assumptions have to be used. We have reviewed the assumptions used by management and our findings are set out below.

In valuing the scheme assets and liabilities certain assumptions are used to accord with the requirements of FRS 17. The assumptions indicative of the position at a point in time, and are not the same as those used in the triennial valuation which is an exercise performed every three years to determine the minimum funding requirements for the respective schemes.

Assumptions:

| Assumptions | Employer | KPMG central | Assessment | KPMG comments |
|--|-------------------------|-------------------------|------------|---|
| Overall | | | ● | ■ The overall review is acceptable |
| Discount rate | 4.20% | 4.40% | ○ | ■ Less prudent than our central rate but considered reasonable |
| CPI inflation / Pension increases | 2.2% | 2.2% | ○ | ■ In line with our central rates |
| Net discount rate (Discount rate – CPI) | 3.2% | 3.4% | ● | ■ Less prudent than our central rate due to lower discount rate but considered reasonable |
| Salary growth | 4.70% 2.5% above CPI | 4.70% 2.5% above CPI | ● | • In line with our central rates |
| Life expectancy | | | | |
| Current male / female pensioner (age 65) | 21.6 / 23.8 years | 22.1 / 24.4 years | ○ | □ Less prudent than our central approach but consistent with the prior year assumptions |
| Future male / female pensioner (age 45) | 23.4 / 25.7 years | 23.4 / 25.9 years | | |
| Expected return on equities above Gilts | Estimated ERP 7.5% | ERP 4.5% - 6.5% | ○ | ■ Less prudent than our central rate but considered reasonable |

Level of prudence compared to KPMG central assumptions



Section two

Highlights memorandum (continued)

Reserves policy and FRS17 Retirement Benefits

A reserves policy needs to be included in the Governors report and approved by the Board. This is a requirement within the Charities SORP 2005 and further guidance is included within the Academies Accounts Direction 2011/12.

The reserves policy disclosed in the governors' report should include the following information:

- Why the reserves are held
- What level or range of reserves is considered appropriate for the Academy
- What the level of reserves is at the year end
- How the Academy is going to achieve its desired level or range of reserves
- How often the reserves policy is reviewed

Since the implementation of FRS17 questions have been raised over how the recognition of a pension asset or liability on the balance sheet impacts a charity's reserves policy and going concern.

Impact to cash flow and reserves policy

FRS17 does not in itself affect the cash flows of the academy. The Academy has ensured that the cash flow effect of pension contributions arising can be met as they fall due. This has been incorporated into the budget for 12/13.

The reserves policy is likely to differentiate the pension liability from the other reserves of the charity but should note that whilst the actuarial valuation has resulted in a pension deficit and the corresponding liability, it does not result in an immediate cash flow impact on the academy. If contributions, including any projected increase in contributions, can be met through budgeted inflow then the impact on the reserves policy is marginal.

Summary

The Academy will include a reserves policy within its Governor's Report. We recommend this is reviewed by the Trustees on an annual basis.

The guidance specifically notes that the disclosure of a pension liability does not mean that the equivalent amount is already committed and is no longer available to the Trustees.

Therefore, as the Academy has taken into account future contributions to pension schemes in the budget and can meet this through budgeted inflows, whilst Trustees may decide to designate a proportion of reserves to this end, the pension reserve can be omitted from calculations on how the Academy uses its reserves.

Section three

Audit progress and status

Audit progress and status

Our audit work on the financial statements is now complete with the exception of the matters listed below and we anticipate issuing an unqualified audit opinion for the year ended 31 August 2012, following the approval of the accounts at the Board meeting in December

The following are the principal matters currently outstanding

- a response to our management representations letters for the Academy This has been issued to you separately and asks the Governors to confirm to us general and specific matters in line with International Standards on Auditing, and
- confirmation immediately prior to the accounts being signed that no significant events have taken place since the time of our audit that would impact on the financial statements

Audit differences

Under the requirements of ISA 260 Communication of audit matters with those charged with governance, we are required to report any adjusted audit differences arising from our work During the course of our audit we have identified audit differences which have been adjusted for See Appendix one for details

We are also required to report any unadjusted audit differences, other than those that are 'clearly trivial' (if there are any) to the Audit Committee There are no unadjusted audit differences in respect of the year ended 31 August 2012

Regularity opinion

Due to a change in scope initiated by the EFA, we are required to obtain additional audit evidence in order to support the regularity audit opinion in the financial statements (see page 3)

We have approached this by using information from the most recent FMGE (Financial Management and Governance Evaluation), asking additional questions through a self assessment questionnaire which is completed by the nominated Accounting Officer together with further questionnaires completed by senior staff and where relevant budget holders within the Academy We have also performed additional testing as required by the guidance

Additional testing was performed in various areas such as the authorisation of senior staff expenses, the tendering process in place for significant purchases and whether credit card usage is appropriate

Accounts Return

At the time of writing we are awaiting further clarification regarding the requirements of auditors for the Accounts Return The deadline for the submission of the return has been moved from 31 December 2012 to 31 January 2013

We believe the EFA will require auditors to provide an opinion upon the Academy's return and we will keep the Academy informed of developments in this respect We would however encourage you to complete this return as soon as the financial statements have been approved and signed by the Board in December

Please note that any work we undertake on the AAR will be outside the scope of our financial statements and regularity engagement letters As a consequence a separate engagement will be issued in due course

Section four

Observations arising from our audit and recommendations

Current year observations

We have identified five observations during the course of our audit

| # | Risk | Issue and recommendation | Management response |
|---|------|---|---|
| 1 | ● | <p>The accounts production process</p> <p>The Department for Education ("DfE") provides guidance on the year end accounts process which includes</p> <ul style="list-style-type: none"> ■ ensuring that a final draft of the financial statements is prepared by the Academy prior to the audit, ■ ensuring that this final draft is reviewed by a second person prior to presentation to the auditors, ■ ensuring that the final draft has been presented to the Governing Body prior to the audit, and ■ ensuring that a file of working papers is available which supports the draft accounts <p>None of these items were completed prior to our audit. A large number of adjustments were posted to the accounts during our visit.</p> <p>This has resulted in a final set of accounts which are very different to the initial trial balance presented to us, and duplication of work for both the Academy staff and for audit staff.</p> <p>However, it is noted that this is a common factor for first year academies.</p> | <p>a) Accounts produced in usual format presented to Governors, waiting on agreed guidance/input from Auditors on producing Academy style reports. Depreciation, etc still under discussion.</p> <p>b) Accounts presented to Governors were reviewed by Business Manager.</p> <p>c) Accounts were presented to Governing Body on 7th November.</p> <p>d) A file of working papers is kept to support the draft accounts produced. Any additional information required by auditors was available on request.</p> <p>NB: Adjustments were made after August 31st 2012 for invoices for goods/services received prior to year end, journal corrections and any commitments which came to light before year end was closed on 5th October 2012. Adjustments made during the audit were for production of Academy management reports as per Accounts Direction 2011/12.</p> <p>Action: In future draft year end accounts with supporting documentation will be complete and presented to governing body prior to the start of audit</p> |
| 2 | ● | <p>Lack of monitoring of GAG</p> <p>The Academy does not review the categorization of income and expenditure and therefore cannot routinely identify the level of GAG income has been utilised and which will be rolled forward to the next year.</p> <p>The DfE currently stipulates that a maximum 12% of current year allocation can be rolled forward and any additional must be surrendered to the DfE.</p> <p>There is therefore the risk that the Academy is unable to monitor current year GAG surplus and an amount will need to be surrendered.</p> | <p>A monthly cash flow report is produced by the Business Manager, it analyses the actual spend for each month and projects a profiled spend up to year end. This report is used to check information produced from the control accounts and bank statements. Control accounts for payroll, creditors and debtors monitored on a monthly basis. Monthly reports are issued to budget holders. Monthly bank reconciliations.</p> <p>Action: We currently produce the accounts termly however in order to begin more monthly monitoring the Business Manager will investigate relevant financial software for current system and produce monthly reports for review by Headteacher</p> |

Section four

Observations arising from our audit and recommendations (continued)

| # | Risk | Issue and recommendation | Management response |
|---|------|---|--|
| 3 | ● | <p>Policies</p> <p>As part of our regularity audit we have performed a review of the Academy's policies to verify all expected policies were in place</p> <p><u>Expenses policy</u> We understand there is no formal documented expenses policy in place which details allowable expenditure to be reclaimed under expenses. However, we did confirm that expense claims are required to be approved by a second individual prior to being paid</p> <p>Without a clear policy there is the risk that staff lack clear guidance on whether expenditure is considered legitimate and can be reimbursed by the Academy or that inappropriate expenditure is incurred and the Academy incurs reputational damage</p> <p><u>Treasury management policy</u> The Academy does not currently have a formally documented treasury management policy covering items such as</p> <ul style="list-style-type: none"> ■ whether the Academy will invest surplus funds, ■ what are suitable investments, ■ what is the general risk appetite of the Academy, and ■ what approvals are required <p>This could result in the Academy not maximising its returns on cash held or making inappropriate/risky investments without appropriate review and authorisation. It is noted that the Academy had not made any investments at the time of the audit</p> <p><u>Reserves policy</u> The Academy did not have a formal reserves policy in place during the year to cover</p> <ul style="list-style-type: none"> ■ why the reserves are held, ■ what level or range of reserves is considered appropriate for the Academy ■ what the level of reserves is at the year end, ■ how the Academy is going to achieve its desired level or range of reserves, and ■ how often the reserves policy is reviewed <p>This could result in the Academy not holding the appropriate level of reserves and/or non-compliance with the Charity SORPs requirements for reserves policies</p> <p><u>Credit control policy</u> The Academy does not currently have a formally documented credit control policy covering</p> <ul style="list-style-type: none"> ■ which debtors will be accepted, and ■ the formal process for monitoring and chasing of debts | <p>Action Business Manager will make sure all relevant policies are in place and disseminate further information on Bribery Act to ensure compliance by all staff</p> |

Section four

Observations arising from our audit and follow up of prior year recommendations (continued)

| # | Risk | Issue and recommendation | Management response |
|---|------|--|--|
| | | <u>Bribery Act</u> The Academy's Anti Fraud and Corruption Policy does not adequately detail how the Academy will ensure compliance with the requirements of the Bribery Act | |
| 4 | ● | Fixed asset recording <p>The Academy inherited the contents of the predecessor school on 1 September 2011 (principally furniture, fixtures and computer equipment) and also acquired c£75k of capital items which were in excess of the Academy's capitalisation threshold</p> <p>At the time of the audit no fixed asset register is maintained in order to monitor these capital items, and the items acquired post 1 September 2011 had been expensed to the profit and loss rather than capitalised</p> <p>Although a depreciation policy had been determined by the Academy, depreciation had not been calculated or posted prior to the audit and is not incorporated into the management accounts</p> | <p>Academy worked with auditors before and during audit to agree correct valuations and depreciation set. Fixed asset register can now be set-up and maintained</p> <p><i>Action. Financial package to be investigated to allow relevant assets to be capitalised and not charged to profit and loss on input.</i></p> |
| 5 | ● | Outsourced services <p>The Academy obtains services delivered through the Local Authority under Service Level Agreements. There should be periodic market testing performed to ensure these services represent value for money</p> | <p><i>Periodic testing of the market has taken place in 2011/12. There have been detailed discussions with The Local Authority as to what they offer and at what price and as a result some of the Service Level Agreements are now in house appointments. We currently review such services by holding termly meetings with relevant heads of departments of the Local Authority</i></p> |


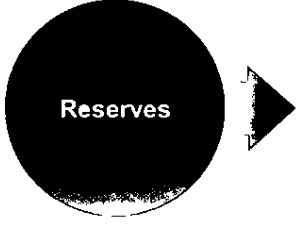
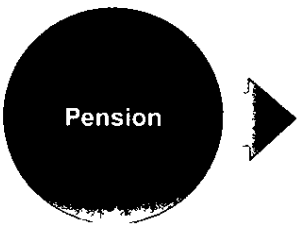
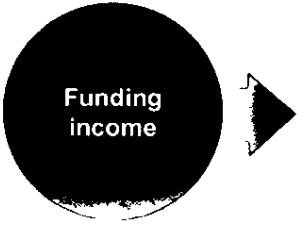

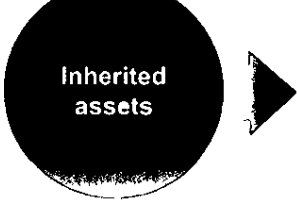
Key

- Low risk – matters that merit attention and would improve overall control
- Medium risk – matters that are considered significant, that should be addressed within three to six months, and
- High risk – matters that are considered fundamental, against which management should take action as soon as possible,

Section five

Update on issues raised in audit strategy memorandum

The following provides an update on issues identified in our Audit Strategy and Planning Memorandum which are not separately considered in sections 2 and 4 above

| Key audit risks | Impact on audit plan |
|---|---|
|  <p>Performance</p> <ul style="list-style-type: none"> ■ Pervasive, all areas of the accounts | <p>We have reviewed the Academy's overall financial position at the year end as part of our review of the financial statements</p> |
|  <p>Reserves policy</p> <ul style="list-style-type: none"> ■ Going concern | <p>We have reviewed the Reserves Policy to confirm all requirements are included</p> |
|  <p>Pension liability</p> <ul style="list-style-type: none"> ■ The Academy has responsibility for the pension fund for its staff | <p>We have discussed with management the appropriateness of the assumptions they have used</p> <p>We have also compared the assumptions used to benchmarks, which are produced by our KPMG actuaries See page 6 for further details on this</p> <p>Management have confirmed that they are satisfied that the actuarial assumptions are appropriate to the Academy and these have been subject to review by our own actuaries</p> |
|  <p>Funding income</p> <ul style="list-style-type: none"> ■ Accounted for incorrectly | <p>We have reviewed the captions and allocation of revenue and costs to agree that they are materially accurate</p> |
|  <p>Economic climate</p> <ul style="list-style-type: none"> ■ Impacts upon financial performance | <p>We have also reviewed the financial forecasts up to the end of December 2013 during our final audit visit</p> <p>The profit for the year was £6,717k</p> <p>We are comfortable that the going concern basis of preparation remains appropriate</p> |
|  <p>Assets</p> <ul style="list-style-type: none"> ■ The Academy has inherited significant assets from the Local Authority | <p>We have reviewed the Academy's valuation and depreciation policy for the inherited land and buildings</p> |

Appendix one

Summary of audit differences

We are required by ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to the Audit Committee. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

This appendix sets out the audit differences that we identified during the course of our audit for the year ended 31 August 2012.

Uncorrected audit differences

No uncorrected audit differences have been identified.

Misstatements that management have corrected

The following table shows differences identified during the course of the audit of the Whickham School and Sports College accounts for which the financial statements have been adjusted.

| Academy | | | | |
|----------------------------|--------------------------------|-----|---------------|-------|
| £000 | Income and expenditure account | | Balance sheet | |
| Issue | Posting of LGPS FRS 17 entries | | Dr | Cr |
| I&E – Payroll cost | | | (20) | |
| I&E – Other finance income | | 21 | | |
| Actuanal gains/losses | | 517 | | |
| DB Pension liability | | | | (518) |
| Overall I&E impact | | 538 | (20) | |

| Academy | | | | | |
|----------------------|-----------------------------------|-----|---------------|----|-------|
| £000 | Income and expenditure account | | Balance sheet | | |
| Issue | Posting of LGPS opening liability | Dr | Cr | Dr | Cr |
| I&E | | 799 | | | |
| DB Pension liability | | | | | (799) |
| Overall I&E impact | | 799 | | | |

The opening LGPS FRS 17 liability which was taken on from Gateshead Council upon transfer to Academy status or the current year movements were not posted to the trial balance but have been recorded as an audit adjustment and reflected in the statutory accounts.

| Academy | | | | | |
|--------------------------------------|--------------------------------|-----|---------------|-------|-------|
| £000 | Income and expenditure account | | Balance sheet | | |
| Issue | Land and buildings value | Dr | Cr | Dr | Cr |
| Land | | | | 800 | |
| Buildings | | | | 6,837 | |
| I&E - Voluntary income | | | (7,637) | | |
| I&E - Depreciation expense | | 570 | | | |
| Buildings – accumulated depreciation | | | | | (570) |
| Overall I&E impact | | 570 | (7,637) | | |

Appendix one

Summary of audit differences (continued)

Being recognition of land and buildings inherited from Gateshead Council upon transfer to Academy on 1 September 2011

| Academy | | | | |
|--------------------------------|--------------------------------|-------|---------------|----|
| £000 | Income and expenditure account | | Balance sheet | |
| Issue Tangible assets taken on | Dr | Cr | Dr | Cr |
| Fixed assets | | | 362 | |
| Voluntary income | | (362) | | |
| Overall I&E impact | | (362) | | |

Being recognition of fixed assets (furniture, fixtures and fittings, computer equipment and software) which was transferred to the Academy from Gateshead Council

| Academy | | | | |
|---|--------------------------------|------|---------------|----|
| £000 | Income and expenditure account | | Balance sheet | |
| Issue Tangible assets purchased in year | Dr | Cr | Dr | Cr |
| Fixed assets | | | 74 | |
| I&E | | (74) | | |
| Overall I&E impact | | (74) | | |

The Academy had previously expensed items which were capital in nature as they were purchased. The capitalisation policy states that any capital items in excess of £2,500 should be capitalised. The above adjustment has been reflected in the statutory accounts to record these fixed assets.

| Academy | | | | |
|---|--------------------------------|----|---------------|-------|
| £000 | Income and expenditure account | | Balance sheet | |
| Issue Depreciation charge for year | Dr | Cr | Dr | Cr |
| Fixed assets – accumulated depreciation | | | | (111) |
| I&E | 111 | | | |
| Overall I&E impact | 111 | | | |

The Academy had not calculated or posted any depreciation charge in the year and therefore the above adjustment has been made to record depreciation expensed based upon asset values and the Academy's depreciation policy.

Appendix two

Sector Developments

We set out below some of the recent developments in regulatory requirements, accounting and auditing standards

| Area | Issues |
|--|--|
| Annual Return | For academies preparing annual financial statements for the academic year ending 31 August 2012 the submission date for the accounts return has been deferred from December 2012 to the end of January 2013. This is as a result of feedback from academies. Accounting officers must now submit the accounts return for 2011/12 to the EFA by 31 January 2013. |
| Charities Act 2011 | <p>The Charities Act 2011 came into effect on 14 March 2012. It is the Act of Parliament which sets out how all charities in England and Wales are registered and regulated. The 2011 Act is intended to make the law easier to understand by replacing four Acts of Parliament with one. It doesn't make any changes to the law. It replaces</p> <ul style="list-style-type: none"> • most of the Charities Acts 1992, 1993 and 2006 • all of the Recreational Charities Act 1958 <p>It doesn't replace the sections in the Charities Acts about fundraising which haven't taken effect yet, eg charitable collections in public places.</p> <p>The Charity does not have to do anything differently except refer to the Charities Act 2011 in documents, reports, accounts or statements produced on or after 14 March 2012 (even where they relate to an earlier financial period). Documents will still be valid even if you accidentally refer to earlier Acts. You don't have to go back and change any documents you have already finalised before 14 March 2012. Since the 2011/2012 financial statements will be approved after 14 March 2012 legislative references have been updated.</p> |
| Accounting update – The future of UK GAAP | <p>At present the expectation is still that the Charity Sector will move to IFRS in line with the UK Accounting Standards Board's convergence programme for UK GAAP. This has however been pushed back to accounting periods starting on or after 1 January 2015. The first year for which this will apply to the your charity will therefore be the year ending 31 August 2016 although early adoption will be permitted.</p> <p>On 30 January 2012 the Accounting Standards Board (ASB) issued its latest Financial Reporting Exposure Drafts (FREDs 46 to 48) which outline the revised proposals for the future of financial reporting in the UK. These no longer include a tiered approach to financial reporting based upon public accountability.</p> <p>The proposed replacement for UK GAAP continues to be based on the IASB's IFRS for Small and Medium Sized Entities (IFRS for SMEs). However, in response to comments on the previous FRED, the ASB now proposes new accounting policy choices, simpler tax disclosure requirements and clarification of proposals in certain key areas. The overall effect should be to simplify the transition process for many UK entities compared with the proposals issued in 2010.</p> <p>It is proposed that entities not following EU-IFRS or the FRSSE will follow FRED 48 (draft FRS102) <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland (no longer to be known as the FRSME)</i>. This standard will be based on the IFRS for SMEs although amendments will be made specifically for the UK market.</p> <p>The future of the Charity SORP</p> <p>All charities are required to prepare accounts. The regulations require financial statements to present a true and fair view of incoming resources, application of resources and to be prepared in accordance with the SORP.</p> <p>The ASB requires the application of accounting standards, clarifying how they apply to accounting by charities. The SORP will be updated to reflect the requirements of FRS 102.</p> <p>Other matters</p> <p>The format of the financial statements and fund accounting will be clarified with the advent of the new SORP.</p> |

Appendix two

Sector developments (continued)

| Area | Issues |
|--|--|
| Governance and Audit arrangements | <p>The EFA within the 2011/12 Accounts Direction have implemented a number of changes to governance and audit requirements</p> <ul style="list-style-type: none"> ■ the replacement of the statement on internal control with a governance statement that provides information on the governance structure of the Academy, ■ the introduction of a statement on regularity, propriety and compliance. This is an important new element of the assurance framework for academies, which requires academy accounting officers to confirm formally that their responsibilities for ensuring the regular and proper use of the Academy's funds have been delivered, and ■ the introduction of an enhanced audit opinion covering regularity. The work performed by academy external auditors in this area will provide assurance to governing bodies that they are meeting their responsibilities under the funding agreement, as charitable trustees and as company directors. The regularity audit opinion will also be addressed to the Secretary of State through the EFA. This will allow the EFA to reduce significantly the direct assurance work it will undertake. Specifically, academies that provide timely audited financial statements for 2011/12 will not be required to undertake a financial management and governance evaluation (FMGE) and submit this to the EFA. New academies that will not be producing financial statements until 31 August 2013 will be asked to complete a revised, shorter, FMGE for their first year only. |

Appendix three

Taxation and pensions matters

| Area | Issues |
|--|---|
| Pensions | <p>Pensions auto-enrolment</p> <p>Organisations with around 4,000 to 6,000 employees will be required to be fully compliant by 1 May 2013. This means that most FE establishments will have to be compliant before the end of the 31 August 2013 year end.</p> <p>You may have seen recent media advertisements from the DWP which will be increasing general awareness of the new auto-enrolment requirements amongst your workforce. All of your workforce will need to be communicated to at your staging date.</p> <p>Implementing automatic-enrolment strategy will involve balancing a complex range of financial, payroll, communications, IT and pensions considerations. There are a number of strategic decisions for you, as employer, to make which are likely to require input from the Board.</p> <p><i>As with Real Time Information, it is essential that a process is put in place to ensure that the necessary workforce profiling, systems changes, employee communication strategies and planning for ongoing monitoring are undertaken in good time for the relevant go live date.</i></p> |
| Employment Taxes and Pensions compliance | <p>Real Time Information (RTI)</p> <p>As you will be aware HMRC have proposed that all employers with more than 50 employees will implement RTI from 6 April 2013.</p> <p>RTI is a fundamental change in how PAYE & NIC operates and will provide information required to operate the new universal credit system. The level of increased information required is extensive and may not all be held centrally.</p> <p><i>It is essential that a process is put in place to ensure that the necessary data integration and cleansing is undertaken in good time in order to be ready for this radical change in reporting.</i></p> |
| VAT | <p>Cost Sharing Exemption</p> <p>The VAT Cost Sharing Exemption is a provision in European law that allows businesses and organisations making VAT exempt and/or non-business supplies to form groups to achieve cost savings and economies of scale. Once formed, the Cost Sharing Group (CSG) is able to provide supplies of services to members of the CSG on a VAT exempt basis, providing all conditions of the exemption are met.</p> <p>HMRC has issued detailed guidance as to how the cost sharing exemption is to be implemented in the UK. Entities are eligible to join a CSG if 5% or more of their total supplies are exempt and/or non-business supplies. Once in a CSG, only services that are 'directly necessary' for exempt and/or non-business activities qualify for VAT exemption. HMRC have indicated that where a CSG member has low levels of taxable activity, then the services received from the CSG will be considered 'directly necessary' and therefore will qualify for VAT exemption. In practical terms, the guidance states that a low level of taxable activity is considered to be equivalent to 15% or less of a CSG members' total supplies. This means that if the exempt or non-business activities carried on by a CSG member are 85% or more of total supplies then all services received from the CSG would be considered 'directly necessary' and qualify for VAT exemption.</p> <p>Consideration is being given as to how this exemption can best be used to meet FEIs' strategic needs.</p> |

Appendix four

Audit Independence

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgment, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of Mick Thompson and the audit team. This letter is intended to comply with this requirement. We have summarised earlier the fees paid to us by the charity for significant professional services provided by us during the reporting period.

We are satisfied that our general procedures support our independence and objectivity.

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners, Directors and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent review

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board of Trustees.

We confirm that as of November 2012, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired. This report is intended solely for the information of the Audit Committee of the Board of Trustees and should not be used for any other purposes.



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