

Company Registration Number 07848367

**Aylesford School and Sixth Form College**

**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Period ended 31 August 2012**



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## Aylesford School and Sixth Form College

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### Reference and Administrative Details

#### Governors (Trustees)

R Lyttle (Chairman)  
J Szabo (Vice Chair)  
M Swallow (Responsible Officer)  
S Hall (Headteacher and accounting officer)  
R Ackland (Staff Governor)  
T Hodgson \* (Staff Governor)  
J McLoughlin \* (Staff Governor)  
J Chamberlain \* (Staff Governor)  
D Amor \*  
P Booty  
N Butler \*  
S Hood  
G Hopley  
J Levett \*  
B Meatyard (resigned 1/9/12)  
B Nobes \*  
J Hood (appointed 1/9/12)

\* members of the Finance and Premises Committee

#### Company Secretary

S Grinnell

#### Senior Management Team

- Deputy Headteacher
- Assistant Headteacher
- Assistant Headteacher
- Assistant Headteacher

T Hodgson  
M Payne  
M McKinney  
J Chamberlain

#### Registered Office

Shelley Avenue  
Warwick  
CV34 6LA

#### Company Registration Number

07848367 (England and Wales)

#### Independent Auditor

Chantrey Vellacott DFK LLP  
35 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1TS

#### Bankers

Lloyds TSB Bank plc  
12 Swan Street  
Warwick  
CV34 4BJ

#### Solicitors

Anthony Collins Solicitors LLP  
134 Edmund Street  
Birmingham  
B3 2ES

## **Aylesford School and Sixth Form College**

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### **Governors' Report**

The Governors present their annual report together with the financial statements and auditors' report of the charitable company for the period since the company incorporation to 31 August 2012

Aylesford School and Sixth Form College was incorporated on 15 November 2011 and opened to students as an academy in January 2012 when the assets and activities of the former maintained school were transferred into the new legal entity

The financial statements have been prepared in accordance with the accounting policies (on pages 19 to 21 of the attached financial statements), and comply with the Charitable Company's Memorandum and Articles of Association, the Companies Act 2006 and the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' as issued in March 2005 ('SORP 2005') and the Academies Financial Handbook

### **Structure, Governance and Management**

#### **Constitution**

Aylesford School and Sixth Form College, hereafter referred to as the Academy, is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association dated 14 November 2011 are the prime governing documents of the academy

The Governors act as trustees for the charitable activities of the Academy and are also directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Aylesford School and Sixth Form College

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

#### **Members' Liability**

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

#### **Governors' Indemnities**

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

#### **Principal Activities**

The Academy's object, as set out in its Articles of Association, is 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

#### **Method of Recruitment and Appointment or Election of Governors**

The management of the Academy is the responsibility of the Governors who are elected and co-opted under the terms of the Academy deed. The Governors are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of the charity legislation

The term of office for any Governor shall be four years, save that this time limit shall not apply to the Headteacher. Subject to remaining eligible to be a particular type of Governor any Governor may be reappointed or re-elected. The Governors who are in office and who served during the year are listed on page 1

The existing membership of the governing body complies with the memorandum and articles of association. The recruitment and appointment of new governors is determined by the category, with members appointing up to 6 Governors using a skills audit and parent governors being appointed by election. When a vacancy arises all reasonable and practical measures are taken to inform all eligible to vote

## **Governors' Report (continued)**

### Policies and Procedures Adopted for the Induction and Training of Governors

The training and induction provided for new Governors will depend on their existing experience. There is a policy in place to support the induction of all new governors that enables them to undertake their role in monitoring and reviewing educational, legal and financial matters.

### Organisational Structure

The Academy is set up with a management structure to support the Education Brief. The organisational structure consists of three levels: the academy trust, the Governors and the Senior Leadership Team.

The members of the academy trust are responsible for key decisions, have accountability and residual control, appoint new members and governing body (directors) and convene an AGM.

The Governors are responsible for the business of the trust, setting general policy, adopting an annual plan and budget, monitoring its financial and operational performance and making strategic decisions about the direction of the Academy, approving major items of expenditure and making senior staff appointments.

For the period up to August 2012 the Governing Body operated a committee structure reporting into the main Governing Body. Committees include Finance and Premises Committee, Personnel and Curriculum Committee. Both Committees have approved terms of reference.

A Governor was also appointed into the Responsible Officer role with effect from January 2012.

During the period January to August 2012 the full Governing Body met four times.

The Governors have approved a scheme of financial delegation which clearly sets out the level of financial authority delegated to the Headteacher and his representatives.

The Senior Leadership Team (SLT) control the Academy at an executive level, implement the policies laid down by the Governors and report back to them. The SLT is headed by the Headteacher. Members of the SLT are responsible for developing and implementing Academy plans which seek to deliver the best possible education for its students within the agreed budget and scheme of delegation approved by Governors. Members of the SLT are set out on page 1.

Heads of Subject make up Curriculum Board and these managers contribute to the day to day operation of the academy, organising their staff, facilities and the students in their course. Heads of Subject have delegated budget management responsibilities.

### Risk Management

The Academy has formalised its risk management arrangements. In the Summer term it both approved a Risk Management Strategy and reviewed the Strategic Risk Register. The Strategic Risk Register is now reviewed both by the SLT and Governors on an annual basis. The Risk Register seeks to both identify the likelihood of a risk occurring, its impact and actions that are being taken to mitigate the risk. Risks included on the Register are varied but include public profile risks such as the Academy not seen by the public to be meeting its objectives. In addition the register records the risks associated with major incidents, ICT system failures, and several financial and operational risks, including budgetary risks and health and safety and safeguarding of student risks. Some significant financial risks such as public and employee liability are covered by Insurance. The Academy operates systems of internal financial control and checks and these are examined periodically by the Academy's auditors and Responsible Officer. During the period January – August 2012 a number of improvements were put in place to strengthen the Academy's internal controls. These are recorded in the Statement of Internal Control on page 10.

## **Governors' Report (continued)**

### **Objectives and Activities**

#### **Objects and Aims**

The Academy objective is set out in its Articles of Association. In summary it is to establish, maintain, manage and develop a school offering a broad and balanced curriculum. It seeks to deliver this object through The Academy which opened to students in January 2012 on premises leased from Warwickshire County Council previously occupied by the existing school but maintained by the local authority.

In accordance with the Articles of Association the Academy has adopted a Funding Agreement approved by the Secretary of State for Education. The Funding Agreement specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which students are drawn, and that the curriculum should comply with the substance of the National Curriculum.

#### **Objectives, Strategies and Activities**

The Academy has a vision that all children have potential and that the education it provides nurtures students and supports them in making that potential a reality.

The Academy seeks to inspire in students a passion for lifelong learning, to work in partnership with them and others so as to provide an exciting, engaging and enjoyable experience in a happy and secure environment.

Standards are secured by the constant reinforcement of the school values based on

- Wonder
- Aspiration
- Respect
- Discipline

We seek to ensure that Aylesford offers a caring and supportive place for students to learn and grow combined with a safe environment that makes young people want to take pride in themselves, their House and their Academy.

The Academy's Development Plan is reviewed annually by Governors. It has established specific targets in the following areas:

- Progress and achievement
- Teaching and learning
- Leadership and management
- Behaviour and safety

These targets are in line with the current inspection framework and form the basis for self-evaluation.

### **Equal Opportunities Policy**

The Academy recognises its commitment to students, staff, parents/carers and Governors and to the wider community based on the principle of promotion of self-respect and respect of others. As such we believe that discrimination is unacceptable and our equal opportunities policy seeks to be inclusive by

- Encouraging young people to develop into good citizens to aim for excellence in all they attempt, to communicate effectively, work well in teams and to enjoy life.
- Striving to make the best possible provision for all students, staff, governors and those connected with the Academy regardless of disability, ethnicity, culture, religious belief, national origin or status, gender or sexual orientation.
- Respecting diversity. We know that treating everyone equally is not simply a matter of treating everyone the same. We always seek to do our best to make reasonable adjustments for disability, recognise and celebrate cultural differences and understand the different needs and experiences of boys and girls.
- Knowing that equality is not simply about protecting the potentially vulnerable. We believe that all students may be disadvantaged by the holding of prejudicial views, and seek to promote good relationships between all groups, and positive attitudes towards disabled people, people from different ethnic or cultural groups or faith backgrounds and people of different gender or sexual orientation.

**Governors' Report (continued)**

- Valuing our staff for their ability and potential to help us make the best possible provision for the students in the Academy regardless of disability, ethnicity, culture, religious belief, national origin, gender or sexual orientation
- Being proactive in our efforts to identify and minimise existing barriers or inequalities
- Seeking the views of all groups affected by the policies and work of our Academy and involving them in policy review where appropriate
- Recognising our role in promoting community cohesion and actively encouraging the participation in public life of all in the Academy

**Disabled Persons**

The Academy recognises its responsibilities under the Disability Discrimination Act. The general duty to promote disability equality is owed to all disabled people which means that we have due regard to

- Promote equality of opportunity between disabled people and other people
- Eliminate unlawful discrimination
- Eliminate disability related harassment
- Promote positive attitudes towards disabled people
- Encourage participation by disabled people in public life
- Take steps to take account of disabled people's disabilities, even where that involves treating disabled people more favourably than other people

**Public Benefit**

Academy Trust Governors are satisfied that the Academy complies with its duty in respect of public benefit, for example the promotion of education in general

**Achievements and Performance**

Our first two terms January to August 2012 have proved challenging and rewarding

Our results in 2011/12 were good with 68% of students achieving 5+ A\*-C GCSE grades including English and Mathematics. This was 11% above last year's national average

Sixth Form results were good with 71% of A2 students achieving A\*-C grade and 99% passing at A-E. The majority of our Sixth Form students were able to go to their first choice of institution as a result and all students leaving achieved a positive destination

**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

**Financial Review**

Governors have made it a priority to ensure that high standards are maintained within the framework of a budget that is sustainable. Key principles specifically identified in terms of financial planning during the year include

- Retaining a sharp focus on teaching and learning
- Planning for the long term
- Investing for quality and efficiency
- Developing a proactive response to funding challenges

**Governors' Report (continued)**

Key financial policies adopted or reviewed during the period include the Financial Responsibilities and Schemes of Delegation Policy which establishes the framework for financial management, including the key financial responsibilities of the Governors, its committees and the key officers of the academy, as well as delegated authority for spending decisions

Overview

These financial statements reflect the first period of operational activity for the Academy

Most of the School's income is obtained from the DfE via the EFA in the form of its General Annual Grant (GAG), the use of which is restricted to particular purposes, i.e. the objects of the Academy Trust. The GAG received during the period covered by this report and the associated expenditure are shown as restricted funds in the Statement of Financial Activities and total £3,004k

No specific Capital Grants were awarded to the School by the DfE to provide fixed assets, apart from the Devolved Formula Capital Grant (DFC). In accordance with the Charities SORP 2005, the DFC received is shown in the Statement of Financial Activities (SOFA) as restricted fixed asset funds the total value being £35k

On conversion on 1 January 2012, all of the fixed assets of the former school were transferred to the new Academy Trust, and are shown as restricted asset funds. The balance sheet restricted fixed asset fund is reduced by depreciation charges over the expected useful life of the assets concerned, as explained in Note 1 to the Financial Statements

The total value of net assets inherited by the Academy was £16,253k. This included a £648k liability that related to the Academy share of the Local Government Pension Scheme (LGPS)

Expenditure covered by this report totalled £3,344k and is detailed in the Statement of Financial Activities

As the period January to August 2012 was the Academy's first period of operation, it sought to manage its finances in order to establish a healthy level of reserves at the period-end in order both to ensure it had a level of reserves adequate to cover unforeseen circumstances and to make planned use as a part of its medium term financial plan. The combined Restricted Funds and Unrestricted Fund show an operating surplus, before the actuarial losses on defined benefit pension schemes, of £16,395k

Financial and Risk Management Objectives and Policies

The Academy Trust's activities expose it primarily to cash flow risk. The Governing Body continually monitors cash flows to ensure the Academy Trust has sufficient funds available to meet debts as they fall due. The Governing Body maintains significant cash reserves at all times

The Governing Body acknowledges the defined benefit pension scheme deficit which is set out at Note 25 to the annual report. It considers that the Academy Trust is able to meet its known contribution commitments for the foreseeable future

Principal Risks and Uncertainties

The Academy established a Risk Management Strategy and Risk Register during 2011/12 as reported within the Statement of Internal Control



**Governors' Report (continued)**

Reserves Policy

The Governing Body reviews the reserve levels of the Academy annually at the year-end and as a part of its medium term budget planning. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. Governors determine what the level of uncommitted reserves should be. The aim is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. Reserves are also held to 'smooth out' any year by year variation in student numbers so as to secure a stable and committed staff body.

As a part of its monitoring of in-year financial performance the Governing Body reviews the forecast impact on reserves and considers this as a part of its medium term financial planning. During 2012 the Governing Body planned to establish a relatively high level of restricted general reserves at the year-end in order to enable it to both manage unforeseen emergencies and also to enable planned use over the medium term to mitigate against anticipated budget shortfalls. As at 31 August 2012, the Academy held total restricted general funds of £336k which it plans to use in part as a component of that medium term financial plan.

Under Accounting Standard FRS17 it is necessary to charge projected deficits on the Local Government Pension Scheme that is provided for our non-teaching staff to a specific restricted reserve. As at 31 August 2012 the deficit on this reserve amounted to £770k. It should be noted however that this does not present the Academy with a current liquidity problem. Contributions to the pension scheme are being increased over the next few years in order to reduce the deficit.

In addition the Academy held £16,158k restricted fixed asset funds as at 31 August 2012. The fixed asset fund reflects both the funding received for capital investment purposes and the depreciated costs of assets. The balance available, excluding the tangible fixed assets, amounts to £47k. This can be used for future capital investment.

Unrestricted funds show a surplus of £577k.

Investment Policy

The Academy was in a period of development during 2011/12 and needed to manage a number of operational and educational risks. During the period of these financial statements the Academy held all its funds in an interest bearing current account. The Governing Body has since approved an Investment and Reserves Policy and plans to invest any cash flow surpluses for a limited period in order to generate a higher return on any cash balances. However, in balancing risk against return the Academy policy is clearly geared towards avoiding risk than to maximising return.

Plans for Future Periods

Our primary focus in 2011/12 is to ensure our students make significant progress and achieve high degrees of success in their exams. Notably we are targeting that at least 65% of our students will achieve 5 GCSEs at A\* to C including English and Mathematics. Other targets we have set within our Development Plan include

- Raising the level of good and outstanding teaching to 100%
- Improving the literacy and numeracy of all our students
- Investing time in engagement with primary school partners and other stakeholders for the benefit of our students. Particularly ensuring all our new Year 7 students find the transition to the Academy a smooth and rewarding experience
- Implementing personal learning plans for all our students
- Continue to improve student attendance, punctuality and behaviour from a good position to outstanding
- To support students to achieve outstanding attainment and progress
- Making sure we use our resources wisely, for the benefit of our students, and deliver against our budget plans

**Governors' Report (continued)**


**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

The appointment of the current auditors, Chantrey Vellacott DFK, was made following a competitive process concluded in January 2012. The appointment is for a period of one year, renewable annually at the discretion of the Governors.

Approved by order of the members of the Governing Body on 3 December 2012 and signed for and on their behalf by



**R Lytle**  
Chair of Governors

## Aylesford School and Sixth Form College

### Governance Statement

#### Scope of Responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that Aylesford School and Sixth Form College 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 the Accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements assigned to it in the Funding Agreement between Aylesford School and Sixth Form College and the Secretary of State for Education. The Headteacher is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

#### Governance

The information on governance included here supplements that described in the governors' Report and in the Statement of governors' responsibilities. The **governing body** has formally met 4 times during the period. Attendance during the period at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
R Lytle (Chairman)	4	4
M Swallow (Responsible Officer)	2	4
R Ackland (Staff Governor)	1	4
B Meatyard (Resigned 1/9/12)	1	4
S Hall (Principal and accounting officer)	4	4
D Amor	3	4
P Booty	3	4
N Butler	2	4
J Chamberlain	4	4
T Hodgson	4	4
S Hood	4	4
G Hopley	2	4
J Levett	4	4
J McLoughlin	4	4
B Nobes	4	4
J Szabo	3	4

The **Finance and Premises Committee** is a sub-committee of the main governing body. Its purpose is identified in its terms of reference.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
D Amor	2	3
N Butler	1	3
J Chamberlain	3	3
S Hall (Principal and accounting officer)	3	3
T Hodgson	2	3
J Levett (Chair)	3	3
J McLoughlin	3	3
B Nobes	1	3
M Swallow (transferred to Personnel and Curriculum)	1	1

## Governance Statement (continued)

### 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. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control in place for Aylesford School and Sixth Form College for the period ended 31 August 2012 has been developed and strengthened during the course of this, the first period of its existence. During the course of the reporting period

- i a number of policies and procedures were developed and implemented throughout the period
- ii Financial delegations to the Headteacher and Business Manager were approved by the Governing Body
- iii Forecast based budget monitoring reports were developed
- iv The Governing Body appointed a governor to be the Responsible Officer
- v The Governors worked with the Business Manager to compile a comprehensive risk register that identifies various levels of risk

### Capacity to Handle Risk

The Governing Body through an appointed working party has reviewed the key risks to which Aylesford School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place from the School's conversion to Academy Status on 1 January 2012 for the remainder of the period ended 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.

### 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
- regular reviews by the Finance and Premises Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing (asset purchase or capital investment) guidelines
- delegation of authority and segregation of duties
- identification and management of risks

The Governing Body had considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Mr Mike Swallow of the Governing Body to fulfil the role of Responsible Officer. The Responsible Officer's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. Mr Swallow was appointed in January 2012 and reported the findings of his initial visits to the Governing Body at its meeting on 30<sup>th</sup> April 2012.

### 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
- the work of the Senior Leadership Team within the academy trust who have responsibility for the development and maintenance of the internal control framework

**Governance Statement (continued)**

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

Approved by order of the members of the governing body on 3 December 2012 and signed on its behalf by



**R Lyttle**  
Chair of Governors



**S Hall**  
Accounting officer

## **Aylesford School and Sixth Form College**

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

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

I confirm that I and the academy trust 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.



**S Hall**  
Accounting Officer

3 December 2012

**Statement of Governors Responsibilities**

The governors (who act as trustees for charitable activities of Aylesford School and Sixth Form College 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 operation

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 Young People's Learning Agency, Education Funding Agency and Department for Education have been applied for the purposes intended

In so far as the governors are aware

- there is no relevant audit information of which the academy'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

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 3 December 2012 and signed on its behalf by



**R Lyttle**  
Chair of Governors

**Independent Auditor's Report to the Members of Aylesford School and Sixth Form College**

We have audited the financial statements of Aylesford School and Sixth Form College for the period ended 31 August 2012 set out on pages 17 to 35. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of Governors and auditors**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Governors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In our opinion the financial statements

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



**Independent Auditor's Report to the Members of Aylesford School and Sixth Form College  
(continued)**

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

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

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

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

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



WILLIAM DEVITT (Senior Statutory Auditor)  
for and on behalf of CHANTREY VELLACOTT DFK LLP  
Chartered Accountants and Statutory Auditor  
Birmingham

3 December 2012

## Aylesford School and Sixth Form College

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### **Independent Reporting Accountant's Assurance Report on Regularity to Aylesford School and Sixth Form College and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 6 November 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Aylesford School and Sixth Form College during the period 1 January 2012 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 Aylesford School and Sixth Form College and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Aylesford School and Sixth Form College and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Aylesford School and Sixth Form College and the EFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Aylesford School and Sixth Form College's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Aylesford School and Sixth Form College's funding agreement with the Secretary of State for Education dated 21 December 2011 and the Academies financial Handbook as published by DfES in 2006, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 January 2012 to 31 August 2012 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

#### **Conclusion**

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 January 2012 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.

 Vellacott DPK LLP

Chantrey Vellacott DPK LLP  
Chartered Accountants  
Birmingham

3 December 2012

**Statement of Financial Activities for the period ended 31 August 2012**

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

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2012 £000
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Voluntary income	3	-	7	95	102
Transfer from local authority on conversion	27	525	(568)	16,296	16,253
Activities for generating funds	4	67	125	-	192
Investment income	5	1	-	-	1
<i>Incoming resources from charitable activities</i>					
Funding for the academy's educational operations	6	-	3,191	-	3,191
<b>Total incoming resources</b>		<b>593</b>	<b>2,755</b>	<b>16,391</b>	<b>19,739</b>
<b>Resources expended</b>					
<i>Cost of generating funds</i>					
Costs of generating voluntary income		-	-	-	-
Fundraising trading		16	143	-	159
<i>Charitable activities</i>					
Academy's educational operations	8	-	2,928	233	3,161
Governance costs	9	-	24	-	24
<b>Total resources expended</b>	7	<b>16</b>	<b>3,095</b>	<b>233</b>	<b>3,344</b>
<b>Net incoming / (outgoing) resources before transfers</b>		<b>577</b>	<b>(340)</b>	<b>16,158</b>	<b>16,395</b>
Gross transfers between funds		-	-	-	-
<b>Net income/(expenditure) for the period</b>		<b>577</b>	<b>(340)</b>	<b>16,158</b>	<b>16,395</b>
<b>Other recognised gains and losses</b>					
Actuarial losses on defined benefit pension schemes	25	-	(94)	-	(94)
<b>Net movement in funds</b>		<b>577</b>	<b>(434)</b>	<b>16,158</b>	<b>16,301</b>
<b>Total funds brought forward</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total funds carried forward at 31 August 2012</b>		<b>577</b>	<b>(434)</b>	<b>16,158</b>	<b>16,301</b>

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


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

# Aylesford School and Sixth Form College

## Balance sheet as at 31 August 2012

	Notes	2012 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	13		16,111
<b>Current assets</b>			
Debtors	14	131	
Cash at bank and in hand		996	
		<u>1,127</u>	
<b>Liabilities</b>			
Creditors Amounts falling due within one year	15	<u>(167)</u>	
<b>Net current assets</b>			<u>960</u>
Total assets less current liabilities			17,071
<b>Net assets excluding pension liability</b>			
Pension scheme liability	25		(770)
<b>Net assets including pension liability</b>			<u>16,301</u>
<b>Funds of the academy</b>			
<b>Restricted income funds</b>			
Fixed asset funds	16		16,158
General funds	16		336
Pension reserve	16		(770)
<b>Total restricted funds</b>			<u>15,724</u>
<b>Unrestricted income funds</b>			
General funds	16		577
<b>Total unrestricted funds</b>			<u>577</u>
<b>Total funds</b>			<u>16,301</u>

The financial statements on pages 17 to 35 were approved by the governors, and authorised for issue on 3 December 2012 and are signed on their behalf by

  
**R. Lyttle**  
 Chair of Governors

Company Limited by Guarantee

Registration Number 07848367

## Aylesford School and Sixth Form College

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### Cash Flow Statement for the period ended 31 August 2012

	Notes	2012 £000
<b>Net cash inflow from operating activities</b>	20	343
Returns on investments and servicing of finance	21	1
Capital expenditure	22	47
Cash transferred on conversion to the academy trust	27	605
<b>Increase in cash in the period</b>	23	<u>996</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the period		996
Net funds at incorporation		<u>-</u>
<b>Net funds at 31 August 2012</b>		<u>996</u>

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

## Notes to the Financial Statements for the period ended 31 August 2012

### 1. Statement of Accounting Policies

#### Basis of Preparation

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

#### Going Concern

The governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of a period of one year from the date of approval of the financial statements. The governors have assessed that the going concern of the academy is not in doubt for the foreseeable future.

#### Incoming Resources

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

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

#### 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 trust's educational operations.
- **Governance Costs**  
These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings.

All resources expended are inclusive of irrecoverable VAT.

**Notes to the Financial Statements for the period ended 31 August 2012 (continued)**

**1 Statement of Accounting Policies (continued)**

**Conversion to an Academy**

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

The assets and liabilities transferred on conversion from the predecessor school, Aylesford School and Sixth Form College, to the academy have been valued at their fair value, being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Academy. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 27.

**Tangible Fixed Assets**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Long leasehold buildings	2% per annum
Long leasehold land	0.8% per annum (over the life of the lease)
Fixtures, fittings and equipment	20% per annum
ICT equipment	33.3% per annum
Motor Vehicles	20% per annum

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

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**

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

**Taxation**

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Notes to the Financial Statements for the period ended 31 August 2012 (continued)**

**1 Statement of Accounting Policies (continued)**

**Pensions Benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

**Fund Accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency, Department for Education or any other funder where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency / Department for Education.



Notes to the Financial Statements for the period ended 31 August 2012 (continued)

2 General Annual Grant (GAG)

Results and Carry Forward for the period	2012 £000
GAG allocation for current period	3,004
<b>Total GAG available to spend</b>	<b>3,004</b>
Recurrent expenditure from GAG	2,738
Fixed assets purchased from GAG	-
<b>GAG carried forward to next year</b>	<b>266</b>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	360
<b>GAG to surrender to DfE</b> (12% rule breached if result is positive)	<b>(94)</b>
	No breach

3 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Capital Grants	-	95	95
Other Donations	-	7	7
	-	102	102

4 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Hire of Facilities	48	-	48
Trips Income	-	125	125
Music Tuition	4	-	4
Departmental Activities	15	-	15
	67	125	192

5 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Short term deposits	1	-	1
	1	-	1

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

6 Funding for academy's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
<b>DfE / EFA revenue grants</b>			
General Annual Grant (GAG) (note2)	-	3,004	3,004
Other DfE / EFA grants	-	105	105
	-	3,109	3,109
<b>Other Government grants</b>			
Local authority grants	-	82	82
	-	82	82
	-	3,191	3,191

7 Resources Expended

	Staff Costs £000	Non Pay Expenditure Premises £000	Other Costs £000	Total 2012 £000
Costs of generating voluntary income	-	-	-	-
Costs of activities for generating funds	16	1	142	159
Academy's educational operations				
Direct costs	2,025	222	221	2,468
Allocated support costs	341	11	341	693
	2,366	233	562	3,161
Governance costs including allocated support costs	7	-	17	24

<b>Resources expended for the period include</b>	<b>2012 £000</b>
Operating leases	2
Fees payable to auditor - audit	8
- other services	3

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

8 Charitable Activities – Academy's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
<b>Direct costs</b>			
Teaching and educational support staff costs	-	2,025	2,025
Depreciation	-	222	222
Educational supplies	-	135	135
Examination fees	-	66	66
Staff development	-	14	14
Other direct costs	-	6	6
	-	2,468	2,468
<b>Allocated support costs</b>			
Support staff costs	-	341	341
Depreciation	-	11	11
Heat and light	-	70	70
Maintenance of premises and equipment	-	76	76
Cleaning	-	51	51
Rent & rates	-	19	19
Insurance	-	37	37
Security and transport	-	2	2
Catering	-	19	19
Other support costs	-	67	67
	-	693	693
	-	3,136	3,136

9 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Legal and professional fees	-	6	6
Auditor's remuneration			
• Audit of financial statements	-	8	8
• Accountancy, taxation and other services	-	3	3
Support staff costs	-	7	7
Governors' reimbursed expenses	-	-	-
	-	24	24

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

**10 Staff costs**

Staff costs during the period were	<b>2012</b>
	<b>£000</b>
Wages and salaries	1,932
Social security costs	150
Pension costs	301
	<u>2,383</u>
Supply teacher costs	6
Compensation payments	-
	<u>2,389</u>

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

	<b>2012</b>
	<b>No</b>
<b>Charitable Activities</b>	
Teachers	55
Administration and support	32
Management	5
	<u>92</u>

The number of employees whose emoluments fell within the following bands for the eight month period was

	<b>2012</b>
	<b>No</b>
£60,001 - £70,000	1
	<u>1</u>

The above employee participated in the Teachers' Pension Scheme. During the period ended 31 August 2012, pension contributions for this employee amounted to £8,950

**11 Governors' remuneration and expenses**

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments from the academy in respect of their role as governors. The value of governors' remuneration for the eight month period was as follows

S Hall - Principal	£60k - £65k
R Ackland - Staff Governor	£30k - £35k
J Chamberlain - Staff Governor	£35k - £40k
T Hodgson - Staff Governor	£45k - £50k
J McLoughlin - Staff Governor	£10k - £15k

During the period ended 31 August 2012, there were no reimbursed travel and subsistence expenses

Further details regarding related party transactions involving the trustees are set out in note 26

Notes to the Financial Statements for the period ended 31 August 2012 (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 £5,000,000 on any one claim and the cost for the period ended 31 August 2012 was £1,084.

The cost of this insurance is included in the total insurance cost.

**13 Tangible Fixed Assets**

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>					
Transfer on conversion	16,006	129	141	20	16,296
Additions	-	26	22	-	48
Disposals	-	-	-	-	-
At 31 August 2012	16,006	155	163	20	16,344
<b>Depreciation</b>					
Charged in period	177	18	35	3	233
Disposals	-	-	-	-	-
At 31 August 2012	177	18	35	3	233
<b>Net book values</b>					
At 31 August 2012	15,829	137	128	17	16,111

An independent professional valuation of the leasehold land and buildings was performed by Amanda Cotterill BSc (Hons) MRICS as at 1 January 2012 for the purpose of valuing the assets transferred to the academy trust upon conversion. The basis of valuation adopted was existing use value.

**14 Debtors**

	2012 £000
Trade debtors	7
Other debtors	25
Prepayments and accrued income	99
	<u>131</u>

**15 Creditors, amounts falling due within one year**

	2012 £000
Trade creditors	30
Accruals and deferred income	137
	<u>167</u>

## Notes to the Financial Statements for the period ended 31 August 2012 (continued)

## 15 Creditors amounts falling due within one year (continued)

	2012 £000
Deferred Income at incorporation	-
Resources deferred in the period	62
Amounts released from previous years	-
Deferred Income at 31 August 2012	62

At the balance sheet date the academy trust was holding funds received in advance for music tuition and school trips relating to the Autumn Term 2012. Also, 16 – 19 Bursary grants relating to 2012/2013 were received in advance.

## 16 Funds

	Balance at incorporation £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2012 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	3,004	(2,738)	-	266
Other DfE/EFA grants	-	105	(105)	-	-
School Trips	-	204	(134)	-	70
Pension reserve	-	(648)	(28)	(94)	(770)
Other Restricted Funds	-	90	(90)	-	-
	-	2,755	(3,095)	(94)	(434)
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	-	95	(5)	-	90
Transfer on Conversion	-	16,296	(228)	-	16,068
	-	16,391	(233)	-	16,158
<b>Total restricted funds</b>	-	19,146	(3,328)	(94)	15,724
<b>Unrestricted funds</b>					
Unrestricted funds	-	593	(16)	-	577
<b>Total unrestricted funds</b>	-	593	(16)	-	577
<b>Total funds</b>	-	19,739	(3,344)	(94)	16,301

The General Annual Grant (GAG) has been provided by the DfE in order to fund the normal running costs of the Academy. During the period, the Academy's GAG income exceeded GAG expenditure and the balance will be carried forward to apply in future years and enable the establishment of a minimum prudent level of reserves to manage risks and unforeseen costs.

Other DfE/EFA grants include further grants received from the DfE/EFA including pupil premium, insurance grants and 16-19 Bursary income. All of the income received was fully expensed during the period.

School trips represent the income and expenditure in relation to school trips that have been operated during the period. The balance at the period end represents the balance held for trips which are still to take place along with any remaining surplus which is to be used for future private fund purposes.

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

**16 Funds (continued)**

The restricted Pension reserve represents the deficit on the Academy's share of the Local Government Pension Scheme as at 31 August 2012

Other restricted funds include donations from local organisations along with special needs income from the local authority. All of the income received was fully expensed during the period.

Restricted fixed asset funds include the tangible fixed assets which were transferred from the local authority upon conversion to an Academy. They also include devolved formula capital grants provided by the local authority.

**17 Analysis of net assets between funds**

Fund balances at 31 August 2012 are represented by

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£000	£000	£000	£000
Tangible fixed assets	-	-	16,111	16,111
Current assets	577	503	47	1,127
Current liabilities	-	(167)	-	(167)
Pension scheme liability	-	(770)	-	(770)
<b>Total net assets</b>	<b>577</b>	<b>(434)</b>	<b>16,158</b>	<b>16,301</b>

**18 Capital commitments**

	2012 £000
Contracted for, but not provided in the financial statements	25
	<u>25</u>

At 31 August 2012 the Academy has contracted for the purchase of a new minibus which is to be purchased in the 2012/13 autumn term.

**19 Financial commitments**

***Operating leases***

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

	2012 £000
<u>Other</u>	
Expiring within one year	-
Expiring within two and five years inclusive	3
Expiring in over five years	-
	<u>3</u>

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

<b>20 Reconciliation of net income to net cash inflow from operating activities</b>	<b>2012 £000</b>
Net income	16,395
Depreciation (note 13)	233
Capital grants from DfE/YPLA/EFA and other capital income	(95)
Interest receivable (note 5)	(1)
Inherited assets on conversion (excluding cash)	(15,648)
Cash transferred on conversion	(605)
FRS 17 pension cost less contributions payable (note 25)	10
FRS 17 pension finance income (note 25)	18
Increase in debtors	(131)
Increase in creditors	167
<b>Net cash inflow from operating activities</b>	<b>343</b>

**21 Returns on investments and servicing of finance**

Interest received	1
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>1</b>

**22 Capital expenditure and financial investment**

Purchase of tangible fixed assets	(48)
Capital grants from DfE/YPLA/EFA	95
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>47</b>

**23 Analysis of changes in net funds**

	<b>At incorporation £000</b>	<b>Cash flows £000</b>	<b>At 31 August 2012 £000</b>
Cash in hand and at bank	-	996	996
	-	996	996

**24 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 to the Financial Statements for the period ended 31 August 2012 (continued)**

**25 Pension and similar obligations**

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

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

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

**Teachers' Pension Scheme**

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

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

25 Pension and other obligations (continued)

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

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The total contribution made for the year ended 31 August 2012 was £78,637, of which employer's contributions totalled £59,514 and employees' contributions totalled £19,123. The agreed contribution rates for future years are 19.8 per cent for employers and a range of 5.5 per cent to 7.5 per cent depending on full-time equivalent salary for employees.

As described in note 1 the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

Principal Actuarial Assumptions

At 31 August

	2012
Rate of increase in salaries	4.5%
Rate of increase for pensions in payment / inflation	2.2%
Discount rate for scheme liabilities	4.1%
Inflation assumption (CPI)	2.2%

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	21.9 years
Females	23.6 years
<i>Retiring in 20 years</i>	
Males	22.8 years
Females	25.9 years

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

25 Pension and similar obligations (continued)

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 values at 31 August 2012 £000
Equities	5.6%	498
Bonds	3.3%	135
Property	3.7%	71
Cash	2.8%	7
<b>Total market value of assets</b>		<b>711</b>
<b>Present value of scheme liabilities</b>		
- funded		(1,481)
<b>Deficit in the scheme</b>		<b>(770)</b>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period

The actual return on scheme assets was £42,000

Amounts recognised in the statement of financial activities

	2012 £000
Current service cost (net of employee contributions)	10
Total operating charge	<b>10</b>
<b>Analysis of pension finance income / (costs)</b>	
Expected return on pension scheme assets	22
Interest on pension liabilities	(40)
<b>Pension finance income/(costs)</b>	<b>(18)</b>

The actuarial gains and losses for the current period 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 £94,000 loss.

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

	2012 £000
<b>Inherited at 1 January 2012</b>	<b>1,238</b>
Current service cost	70
Interest cost	40
Employee contributions	19
Actuarial loss	114
<b>At 31 August 2012</b>	<b>1,481</b>

Notes to the Financial Statements for the period ended 31 August 2012 (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2012 £000
Inherited at 1 January 2012	590
Expected return on assets	22
Actuarial gain	20
Employer contributions	60
Employee contributions	19
<b>At 31 August 2012</b>	<b>711</b>

The estimated value of employer contributions for the year ended 31 August 2013 is £86,000

The history of experience adjustments is as follows

	2012 £000
<b>Present value of defined benefit obligations</b>	(1,481)
<b>Fair value of share of scheme assets</b>	711
<b>Deficit in the scheme</b>	(770)
<b>Experience adjustments on share of scheme assets</b>	
Amount £'000	20
<b>Experience adjustments on scheme liabilities.</b>	
Amount £'000	-

26 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 not unusual 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.

There were no such transactions during the period.

## Aylesford School and Sixth Form College

### Notes to the Financial Statements for the period ended 31 August 2012 (continued)

#### 27 Conversion to an Academy Trust

On 1 January 2012 the Aylesford School and Sixth Form College converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Aylesford School and Sixth Form College from the Warwickshire Local Authority for £nil consideration

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

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

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets				
Leasehold land and buildings	-	-	16,006	16,006
Other tangible fixed assets	-	-	290	290
Budget surplus on LA funds	525	-	-	525
Budget surplus on other school funds	-	-	-	-
Private Funds	-	80	-	80
LGPS pension deficit	-	(648)	-	(648)
<b>Net assets / (liabilities)</b>	<b>525</b>	<b>(568)</b>	<b>16,296</b>	<b>16,253</b>

The above net assets include £605,239 that was transferred as cash