

COMPANY REGISTRATION NUMBER 07687235

Lutterworth High School Academy Trust
Company Limited by Guarantee
Financial Statements
31 August 2012

MHA MACINTYRE HUDSON

Chartered Accountants & Statutory Auditor
Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

Lutterworth High School Academy Trust Company Limited by Guarantee

Financial Statements

Period from 1 August 2011 to 31 August 2012

Contents	Page
Reference and Administrative Details	1
Governors' Annual Report	3
Governance Statement	9
Statement on Regularity, Propriety and Compliance	12
Independent Auditor's Report to the Members	13
Independent Reporting Accountant's Assurance Report on Regularity to Lutterworth High School Academy Trust and the Education Funding Agency	15
Statement of Financial Activities (incorporating the Income and Expenditure account)	17
Balance sheet	18
Cash flow statement	19
Accounting policies	20
Notes to the financial statements	24

Lutterworth High School Academy Trust Company Limited by Guarantee

Reference and Administrative Details

Company Name	Lutterworth High School Academy Trust
Company Registration Number	07687235
Principal Office	Woodway Road Lutterworth Leicestershire LE17 4QH
Governors	Michael Murphy* and ** (Chairman) Janet Jones** (Vice Chair) Valerie Sharp* and ** Debbie Aitkenhead Nora Parker (Headteacher and Accounting Officer)* Danny Gill* Louise Kenton* Richard Holding* * Members of the Personal and Finance Committee ** Board Members
Secretary	Helene Chadwick
Senior Leadership Team	Nora Parker (Headteacher) Jane Nicolle (Deputy Headteacher) Richard Salter (Assistant Headteacher) Edy O'Connor (Assistant Headteacher) - resigned 31 August 2012 Jackie Underwood (Operations Manager) Helene Chadwick (Business Manager)

Lutterworth High School Academy Trust Company Limited by Guarantee

Reference and Administrative Details

Auditor

MHA MacIntyre Hudson
Chartered Accountants
& Statutory Auditor
Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

Bankers

Lloyds Banking Group plc
4 Bell Street
Lutterworth
Leicestershire
LE17 4DW

Solicitors

Walker Morris Solicitors
Kings Court
12 King Street
Leeds
LS1 2HL

Lutterworth High School Academy Trust Company Limited by Guarantee

Governors' Annual Report

Period from 1 August 2011 to 31 August 2012

The Governors, who are also directors for the purposes of company law, have pleasure in presenting their report and the financial statements of the charitable company for the period from 1 August 2011 to 31 August 2012.

Reference and Administrative Details

Reference and administrative details are shown in the schedule of reference and administrative details on pages 1 to 2 of the financial statements.

The Governors

The Governors who served the academy during the period were as follows:

Michael Murphy* and **	(Chairman)
Janet Jones**	(Vice chair)
Valerie Sharp* and **	
Debbie Aitkenhead	
Nora Parker*	(Headteacher and Accounting Officer)
Danny Gill*	
Louise Kenton*	
Richard Holding*	

* Members of the Personal and Finance Committee

** Board Members

Karen Pearce, Gordon Proctor, Beverley Huck, Elaine Holloway, Karen Miles, David Venables, Susan Kidman and Gerald Growney acted as Governors during the period but resigned prior to the date of approval of these financial statements.

Structure, governance and management

Constitution

Lutterworth High School Academy is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy.

The Governors act as the trustees for the charitable activities of Lutterworth High School Academy and are also the directors of the charitable company for the purposes of company law. The charitable company is known as Lutterworth High School Academy Trust, known only as Lutterworth High School.

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

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.

Lutterworth High School Academy Trust Company Limited by Guarantee

Governors' Annual Report

Period from 1 August 2011 to 31 August 2012

Governors' Indemnities

The Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions. Governors benefit from indemnity insurance to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. The cost of this insurance in the year was £1022.

Principal Activities

Lutterworth High School has an outstanding reputation as a provider of quality education, sitting at the heart of the community with a firm commitment to ensuring that all of our students feel secure and challenged during their time in school. Our aim is to make everyone feel engaged and excited by learning and to experience the pleasure of achieving personal goals as well as working together as active and valued members of our school.

We are committed to creating and maintaining a working environment where students are keen to learn and respond positively to differing needs and priorities with the right balance of support and challenge. In so doing we believe that all our students have every opportunity to leave our school as confident, articulate and socially adept members of society. We aim to work effectively and proactively with home to provide the quality of education that our students need and deserve.

Method of Recruitment and Appointment or Election of Governors

Recruitment of Governors is outlined in the Memorandum of Articles. Members may appoint up to 6 Governors. Governors may Co-opt up to 3 Governors. The appointment of staff Governors is via a process of a staff ballot. Appointment of Parent Governors is made via parent ballot.

Policies and Procedures Adopted for the Induction and Training of Governors

Governor induction training alongside a menu of extensive specialized training is available through the local network of schools to support all new Governors. The Academy buys into the LA Governor Development Service who across the Governing Body offer further Governor training. A skills matrix is being developed to identify areas of strength and weakness.

Organisational Structure

The Board of Members meet at least annually to appoint new member Governors and to receive the annual accounts. The Full Governing Body meet at least 3 times per year and at each meeting they receive the minutes and reports of the 3 sub committees:-

1. Personnel and Finance - which meets at least 3 times per year
2. Teaching and Learning - which meets at least 3 times per year
3. Health and Safety - which meets at least 3 times per year

The day to day management of the school is delegated to the Headteacher who has appointed a Leadership team who meet weekly to discuss both strategic and day to day responsibilities.

A scheme of delegation has been approved which provides a clear line of responsibilities at all levels.

Risk Management

A thorough Risk Management Assessment has been conducted using guidelines provided by the EFA and has been assessed and approved via Personnel and Finance Committee along with the Statement of Internal Control.

Lutterworth High School Academy Trust Company Limited by Guarantee

Governors' Annual Report

Period from 1 August 2011 to 31 August 2012

The assessment involved identifying the types of risk the Academy faces, prioritising them into operational and financial impacts, assessing the likelihood of the occurrence and the impact that the occurrence will have on the Academy, putting in place controls to mitigate such risks. Whilst reviewed via the Personnel and Finance Committee on an annual basis the Risk Register is a live document which will be reviewed regularly with Governors and Management.

Objectives and activities

Objects and Aims

Lutterworth High School is smaller than the average-sized secondary school for students aged 11-14. It converted to Academy status in August 2011. Most students (94%) are White British and a below average proportion is from minority ethnic heritages. A few students are of Traveller heritage. The proportion of students identified with disabilities and those with special needs and the proportion with a statement of special educational needs are well below average. The proportion of students eligible for free schools meals is very small in relation to schools nationally. The school was awarded specialist status in technology in partnership with the local college in 2008. The school recently gained the Stephen Lawrence Award in April 2012.

Lutterworth High School was recently inspected in January 2012 and was judged outstanding.

The Governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning future activities. The Governors believe that the Academy's admissions policy and its achievements and performance in the year (as outlined below) provide clear evidence that the Academy is meeting its obligations as a charity to deliver public benefit.

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.

Key Financial Performance Indicators

Students make outstanding progress and attainment at Key Stage 3 is high, even allowing for the relatively high prior attainment of students. Although KS3 levels are based on teacher assessments, the school participates in a rigorous moderation exercise with five other schools. This appears to confirm the accuracy of the teacher assessments, and GCSE results at the local college reflect the KS3 performance at Lutterworth. Links between the high school and college have been strengthened and there is more awareness among staff of their role in preparing for GCSE courses; in English, for example, students complete a piece of GCSE coursework in Year 9. In the majority of subjects, girls outperform boys, although boys still achieve above national norms. The school has taken steps to address this gender gap through curriculum design and a wider variety of modes of assessment. Some curriculum areas have involved students in determining more 'boy-friendly' teaching strategies and content. The school has invested in a number of Kindles in an effort to encourage boys to read more.

Virtually all student groups achieve well although a significant established local community of travellers ('travelling showmen') presents particular challenges. Student targets are based on FFT(D) estimates and are agreed with students. Attainment levels and attitude to learning are tracked three times a year and appropriate intervention is put in place, particularly mentoring. Where students do not have KS2 data, they are assessed using a number of standardised tests, the results of which are then correlated to KS2 to facilitate target setting.

Lutterworth High School Academy Trust Company Limited by Guarantee

Governors' Annual Report

Period from 1 August 2011 to 31 August 2012

Financial review

Financial and Risk Management Objectives and Policies

The Academy Trust practices through its Board, namely the Governing Body and the constituted sub-committees, risk management principles. Any major risks highlighted at any sub-committee are brought to the main Board with proposed mitigating actions and they continue to be reported until the risk is adequately mitigated.

The Governing Body accepts managed risk as an inevitable part of its operations but maintains an objective not to run unacceptable levels of risk in any area. The subjective nature of this process requires major risks to be resolved by the Governing Body collectively, whilst more minor risks are dealt with by senior executive officers.

Principal Risks and Uncertainties

The principal risks facing the Academy are included in the Risk Register and Management Plan and include:

- Strategic and Reputational Risks
- Operational Risks
- Compliance Risk
- Financial Risks

Control measures are in place to manage the identified risks, the key risks being that of reduced pupil numbers, that affect the level of funding and future Government cuts. Active promotion of the Academy is maintained and budgets monitored carefully over a 3 year period to manage any reduction in funding.

Reserves Policy

The Personnel and Finance Committee have established a reserves policy to consider the maintenance of a minimum working reserve in order to minimise any financial risks facing the Academy, such as delays between spending and receipt of grants or unexpected emergencies. It aims to regularly review the nature of income and expenditure streams and the need to match income with commitments, to have regard to the potential liabilities which may arise in the event of a school merger or closure, to identify and maintain an appropriate level of free reserves, to consider and set aside funds for significant projects that cannot be met by future income alone.

At 31 August 2012 the total funds comprised:

	2012
	£
Unrestricted funds	10,559
Restricted funds:	
Fixed assets fund	5,877,778
GAG	528,526
Pension reserve	<u>(515,000)</u>
Total funds	<u>5,901,863</u>

The deficit on the pension reserve relates to the non-teaching staff pension scheme where, unlike the teachers scheme, separate assets are held in trustee-administered funds to fund future liabilities as discussed in note 16. The deficit can be met in the longer term from any combination of increased employer or employee contributions, increased government funding or changes to scheme benefits. The restricted funds will be spent in accordance with the terms of those particular funds. Unrestricted funds are for use on the general purposes of the Academy, at the discretion of the Governors. The aim of the Governors is to increase this reserve to meet future working

Lutterworth High School Academy Trust Company Limited by Guarantee

Governors' Annual Report

Period from 1 August 2011 to 31 August 2012

capital requirements.

Financial position

The Governors consider the year end financial position of £5,901,863 comprising £5,891,304 of restricted funds and £10,559 of unrestricted funds to be satisfactory. Restricted funds consist of the pension reserve amounting to (£515,000) and other restricted funds of £6,406,304.

Investment Policy

The investment policy can be found in the Financial Management Manual and ensures that the Academy monitor cash flow on a regular basis and ensure that surplus funds are deposited so as to maximise the interest, with a consideration to only invest in risk free and immediately accessible deposit accounts.

Plans for future periods

The Academy's plans for future periods include:

- Ensuring that extended questioning techniques which promote higher order and divergent thinking is used consistently by all teachers.
- Developing and embedding learner independence and leadership in lessons across the curriculum.
- Encouraging risk-taking and creativity in teaching to inspire learners and provide role-models for learners to do the same.
- Continue to improve the learning environment
- Future opportunities for students to visit Africa as part of the Academy's international developments.

Responsibilities of the Governors

The Governors (who act as trustees for the charitable activities of Lutterworth High School Academy Trust and are also the directors of Lutterworth High School Academy Trust for the purposes of company law) are responsible for preparing the Governors' Annual Report and the financial statements in accordance with 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 judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

Lutterworth High School Academy Trust Company Limited by Guarantee

Governors' Annual Report

Period from 1 August 2011 to 31 August 2012

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.

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.

Auditor

MHA MacIntyre Hudson are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:
Woodway Road
Lutterworth
Leicestershire
LE17 4QH

Signed on behalf of the Governors

Michael Murphy
Chair

.....

Lutterworth High School Academy Trust Company Limited by Guarantee

Governance Statement

Period from 1 August 2011 to 31 August 2012

Scope of Responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that Lutterworth High School Academy 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 Lutterworth High School Academy and the Secretary of State for Education. The Accounting Officer 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 Full Governing Body has formally met 6 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Governor	Meetings attended	Out of a possible
K Pearce (Resigned 15.5.2012)	3	3
N Parker (Accounting Officer)	6	6
M Murphy (Vice Chair to Chair)	6	6
G Proctor	5	6
D Gill	5	6
V Sharp	6	6
D Aitkenhead	5	6
G Growney	2	6
L Kenton	6	6
B Huck	5	6
K Miles	1	6
D Venables	0	6
R Holding	5	6
E Holloway (staff)	4	6
S Kidman	0	6
J Jones	3	6

The Personnel and Finance Committee is a sub-committee of the main governing body. By delegated authority from the Governing Body its main purpose is to support, decide and determine all matters concerning budgeting, finance, personnel and premises, including grounds and security, by enabling more detailed consideration to be given to the best means of fulfilling the Governing Body's responsibility to ensure sound management of the Academy's finances and resources, including proper planning, monitoring and probity.

To make appropriate comments and recommendations on such matters to the Governing Body on a regular basis.

Major issues will be referred to the full Governing Body for ratification.

Lutterworth High School Academy Trust Company Limited by Guarantee

Governance Statement

Period from 1 August 2011 to 31 August 2012

Attendance at the meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
K Pearce	2	3
N Parker	3	3
M Murphy	3	3
G Proctor	2	3
D Gill	0	3
V Sharp	3	3
L Kenton	1	3
B Huck	3	3
E Holloway (staff)	2	3

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 the Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lutterworth High School Academy 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 on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 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. Each area of risk is to be reviewed on a rotational basis once per term with the Leadership team and nominated Governor.

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

Lutterworth High School Academy Trust Company Limited by Guarantee

Governance Statement

Period from 1 August 2011 to 31 August 2012

The Governing Body has considered the need for specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed MHA McIntyre Hudson 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. RO reports have been presented termly throughout the year via the Personnel and Finance Committee to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

Risk Management is embedded in the day to day processes of the charitable company. Principal risk areas for the charitable company are the protection of pupils, employees and assets. Systems and procedures to minimise these risks are constantly reviewed and updated.

Review of Effectiveness

As Accounting Officer, the Head Teacher 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 (FMGE) financial management and governance self assessment process which was evaluated and confirmed as Good by the EFA;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

All reports have been submitted via the Personnel and Finance Committee and systems have been altered in order to address minor weaknesses identified.

Approved by order of the members of the Governing Body onand signed on its behalf by:

.....
Michael Murphy
Chair

.....
Nora Parker
Accounting Officer

Lutterworth High School Academy Trust Company Limited by Guarantee

Statement on Regularity, Propriety and Compliance

Period from 1 August 2011 to 31 August 2012

As Accounting Officer of Lutterworth High School Academy Trust Limited I have considered my responsibility to notify the academy trust's 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's 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.

Signed

.....
Nora Parker
Accounting Officer

Lutterworth High School Academy Trust Company Limited by Guarantee

Independent Auditor's Report to the Members of Lutterworth High School Academy Trust *(continued)*

Period from 1 August 2011 to 31 August 2012

We have audited the financial statements of Lutterworth High School Academy Trust for the period from 1 August 2011 to 31 August 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies: Accounts Direction 2011/12 issued by the Education Funding Agency.

This report is made solely to the Academy's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy and the Academy's 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 Responsibilities of the Governors (set out on pages 11 to 7), the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 academy'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 reports and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs for the period from 1 August 2011 to 31 August 2012 and of its incoming resources and application of resources for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Annual Report for the financial period for the 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:

Lutterworth High School Academy Trust Company Limited by Guarantee

Independent Auditor's Report to the Members of Lutterworth High School Academy Trust *(continued)*

Period from 1 August 2011 to 31 August 2012

- 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.

Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

.....

ROBERT NELSON BA FCA (Senior
Statutory Auditor)
For and on behalf of
MHA MACINTYRE HUDSON
Chartered Accountants
& Statutory Auditor

Lutterworth High School Academy Trust Company Limited by Guarantee

Independent Reporting Accountant's Assurance Report on Regularity to Lutterworth High School Academy Trust and the Education Funding Agency

Period from 1 August 2011 to 31 August 2012

In accordance with the terms of our engagement letter dated 24 November 2011 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 Lutterworth High School Academy Trust during the period 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 Lutterworth High School Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Lutterworth High School Academy Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lutterworth High School Academy Trust and the EFA, for our work, for this report, or for the opinion we have formed.

Respective responsibilities of Lutterworth High School Academy Trust's Accounting Officer and the Reporting Accountant

The Accounting Officer is responsible, under the requirements of Lutterworth High School Academy Trust's funding agreement with the Secretary of State for Education dated 1 August 2011 and the Academies Financial Handbook as published by the 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 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.

**Lutterworth High School Academy Trust
Company Limited by Guarantee**

**Independent Reporting Accountant's Assurance Report on Regularity to Lutterworth High School
Academy Trust and the Education Funding Agency (*continued*)**

Period from 1 August 2011 to 31 August 2012

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 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.

Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

ROBERT NELSON BA FCA (Senior
Statutory Auditor)
For and on behalf of
MHA MACINTYRE HUDSON
Chartered Accountants
& Statutory Auditor

.....

Lutterworth High School Academy Trust Company Limited by Guarantee

Statement of Financial Activities (Incorporating the Income and Expenditure Account)

Period from 1 August 2011 to 31 August 2012

	Note	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset Funds £	Total Funds Period from 1 Aug 11 to 31 Aug 12 £
Incoming resources					
Incoming resources from generating funds:					
Voluntary income	2	–	33,664	5,995,918	6,029,582
Activities for generating funds	3	17,594	30,851	–	48,445
Investment income	4	584	–	–	584
Funding for Academy's educational operations	5	–	3,688,469	–	3,688,469
Total incoming resources		18,178	3,752,984	5,995,918	9,767,080
Resources expended					
Charitable activities	7	(7,619)	(3,595,205)	(142,933)	(3,745,757)
Governance costs	8	–	(30,460)	–	(30,460)
Total resources expended	6	(7,619)	(3,625,665)	(142,933)	(3,776,217)
Net incoming resources before transfers	9	10,559	127,319	5,852,985	5,990,863
Transfer between funds		–	(24,793)	24,793	–
Net income for the period		10,559	102,526	5,877,778	5,990,863
Other recognised gains and losses					
Actuarial losses on defined benefit pension schemes		–	(89,000)	–	(89,000)
Net movement in funds		10,559	13,526	5,877,778	5,901,863
Reconciliation of funds					
Total funds brought forward		–	–	–	–
Total funds carried forward		10,559	13,526	5,877,778	5,901,863

The Statement of Financial Activities includes all gains and losses in the year and therefore a statement of total recognised gains and losses has not been prepared.

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

The accounting policies and notes on pages 20 to 39 form part of these financial statements.

Lutterworth High School Academy Trust Company Limited by Guarantee

Balance Sheet

31 August 2012

	Note	£	2012 £
Fixed assets			
Tangible assets	13		5,877,778
Current assets			
Stocks		4,071	
Debtors	14	76,168	
Cash at bank and in hand		714,542	
		<u>794,781</u>	
Creditors: amounts falling due within one year	15	<u>(255,696)</u>	
Net current assets			539,086
Total assets less current liabilities			<u>6,416,863</u>
Net assets excluding pension liability			6,416,863
Defined benefit pension scheme liability	16		<u>(515,000)</u>
Net assets including pension liability			<u><u>5,901,863</u></u>
Funds			
Restricted funds:			
Restricted fixed asset funds		5,877,778	
General funds		528,526	
Pension reserve	16	<u>(515,000)</u>	
Total restricted income funds			5,891,304
General funds			<u>10,559</u>
Total funds	17		<u><u>5,901,863</u></u>

These financial statements were approved by the Governors, and authorised for issue on and are signed on their behalf by:

.....
Michael Murphy
Chair

Company Registration Number: 07687235

The accounting policies and notes on pages 20 to 39 form part of these financial statements.

Lutterworth High School Academy Trust Company Limited by Guarantee

Cash Flow Statement

Period from 1 August 2011 to 31 August 2012

	Note	£	Period from 1 Aug 11 to 31 Aug 12 £
Net cash inflow from operating activities	23		738,751
Returns on investments and servicing of finance	24		
Interest received		<u>584</u>	
Net cash inflow from returns on investments and servicing of finance			584
Capital expenditure	25		(24,793)
Increase in cash			<u>714,542</u>
Analysis of changes in net funds			
	1 Aug 11	Cash flows	31 Aug 12
	£	£	£
Cash in hand and at bank	–	714,542	714,542
	=====	=====	=====

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

The accounting policies and notes on pages 20 to 39 form part of these financial statements.

Lutterworth High School Academy Trust Company Limited by Guarantee

Accounting Policies

Period from 1 August 2011 to 31 August 2012

Basis of accounting

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

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.

All resources expended are inclusive of irrecoverable VAT.

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 Governors' meetings and reimbursed expenses.

Lutterworth High School Academy Trust Company Limited by Guarantee

Accounting Policies *(continued)*

Period from 1 August 2011 to 31 August 2012

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 funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received.

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.

Assets transferred at inception have been included at the estimated depreciated replacement cost.

Depreciation on fixed 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.

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.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long leasehold buildings	-	2% straight line per annum
Equipment	-	10% straight line per annum
Fixtures & fittings	-	25% straight line per annum

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Lutterworth High School Academy Trust Company Limited by Guarantee

Accounting Policies *(continued)*

Period from 1 August 2011 to 31 August 2012

Pension costs

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 16, 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.

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 Academy Trust 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.

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.

Lutterworth High School Academy Trust Company Limited by Guarantee

Accounting Policies *(continued)*

Period from 1 August 2011 to 31 August 2012

Conversion to Academy Trust

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

The assets and liabilities transferred on conversion from Lutterworth High School to the Academy Trust have been valued at their estimated depreciated replacement cost 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 estimated depreciated replacement cost is in accordance with the accounting policies set out for Lutterworth High School Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 19.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

1. General annual grant (GAG)

2012
£

a. Results and Carry Forward for the Year

GAG allocation for current year	3,353,817
Recurrent expenditure from GAG	(2,816,665)
Fixed assets purchased from GAG	(8,627)
GAG carried forward to next year	528,525
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	(402,458)
GAG to surrender to DfE (12% rule breached if result is positive)	126,067
	breach

The Academy has approached the EFA with a business case to retain the whole of the GAG carry forward for future educational purposes.

2. Voluntary income

	Restricted Funds £	Restricted Fixed Asset Funds £	Total Funds 2012 £
Donations			
Transfers from Local Authority on conversion	<u>33,664</u>	<u>5,995,918</u>	<u>6,029,582</u>

3. Incoming resources from activities for generating funds

	Unrestricted Funds £	Restricted Funds £	Total Funds 2012 £
Rental income	4,327	–	4,327
School uniform sales	9,082	–	9,082
Other income	4,185	30,851	35,036
	<u>17,594</u>	<u>30,851</u>	<u>48,445</u>

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

4. Investment income

	Unrestricted Funds £	Total Funds 2012 £
Bank interest receivable	584	584

5. Funding for Academy's educational operations

	Restricted Funds £	Total Funds 2012 £
EFA revenue grants		
General Annual Grant (GAG) (note 1)	3,353,817	3,353,817
Pupil Premium	19,440	19,440
Academy Conversion Grant	25,000	25,000
PE Teachers Grant	7,600	7,600
GTP income	47,100	47,100
Devolved Formula Capital	16,167	16,167
	<u>3,469,124</u>	<u>3,469,124</u>
Other Government grants		
Local authority SEN income	43,687	43,687
Access to Work	13,180	13,180
	<u>56,867</u>	<u>56,867</u>
Other income		
Trip income	162,478	162,478
	<u>162,478</u>	<u>162,478</u>
	<u>3,688,469</u>	<u>3,688,469</u>

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

6. Resources expended

	Staff costs £	Premises £	Other costs £	Total Funds 2012 £
Charitable activities:				
Direct costs	2,188,351	97,499	331,729	2,617,579
Support costs	<u>292,652</u>	<u>232,459</u>	<u>603,067</u>	<u>1,128,178</u>
	2,481,003	329,958	934,796	3,745,757
 Governance costs including allocated support costs	 –	 –	 30,460	 30,460
	<u>2,481,003</u>	<u>329,958</u>	<u>965,256</u>	<u>3,776,217</u>

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

7. Academy's educational operations

	Unrestricted Funds £	Restricted Funds £	Restricted Fixed Asset Funds £	Total Funds 2012 £
Direct costs				
Teaching and educational support staff	–	2,188,351	–	2,188,351
Depreciation	–	–	139,360	139,360
Educational supplies	–	123,209	–	123,209
Other direct costs	–	166,659	–	166,659
	<u>–</u>	<u>2,478,219</u>	<u>139,360</u>	<u>2,617,579</u>
Allocated support costs				
Support staff costs	–	282,944	–	282,944
Staff training	–	9,708	–	9,708
Depreciation	–	–	3,573	3,573
Recruitment and support	–	3,168	–	3,168
Maintenance of premises and equipment	–	160,131	–	160,131
Gas	–	52,002	–	52,002
Cleaning	–	4,562	–	4,562
Rent and rates	–	21,627	–	21,627
Insurance	–	42,308	–	42,308
Security and transport	–	4,080	–	4,080
Catering	–	17,089	–	17,089
Bank charges	–	115	–	115
Pension deficit transferred on conversion	–	413,000	–	413,000
Other support costs	7,619	106,252	–	113,871
	<u>7,619</u>	<u>1,116,986</u>	<u>3,573</u>	<u>1,128,178</u>
	<u>7,619</u>	<u>3,595,205</u>	<u>142,933</u>	<u>3,745,747</u>

8. Governance costs

	Restricted Funds £	Total Funds 2012 £
Audit fees	7,000	7,000
Legal fees	22,460	22,460
Responsible Officer audit	1,000	1,000
	<u>30,460</u>	<u>30,460</u>

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

9. Net incoming/(outgoing) resources for the year

This is stated after charging:

	2012 £
Staff pension contributions	291,263
Fees payable to auditor	
Audit services	7,000
Responsible Officer services	1,000
Depreciation	142,933

10. Staff costs and emoluments

	2012 £
Wages and salaries	2,021,956
Social security costs	142,234
Other pension costs	291,263
	<u>2,455,453</u>
Supply teacher costs	15,842
	<u><u>2,471,295</u></u>

Particulars of employees:

The average number of employees during the period:	2012
Teachers	33
Administration and support	26
Management	5
	<u>64</u>

Additional disclosures required in this note have been provided to the Chair of the Senior Pay Committee for ratification but are not disclosed in this copy of the financial statements.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

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 their services as Governors. Other Governors did not receive any payments from the Academy in respect of their role as Governors.

No expenses were paid to Governors for the period to 31 August 2012.

12. Governors' and Officers' insurance

In accordance with normal commercial practice the Academy Trust 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 £1,000,000 on any one claim and the cost for the period ended 31 August 2012 was £1,022.

13. Tangible fixed assets

	Long leasehold land and buildings £	Equipment £	Computer equipment £	Total £
Cost				
Additions	5,849,491	88,700	82,520	6,020,711
At 31 August 2012	<u>5,849,491</u>	<u>88,700</u>	<u>82,520</u>	<u>6,020,711</u>
Depreciation				
Charge for the period	97,499	11,956	33,478	142,933
At 31 August 2012	<u>97,499</u>	<u>11,956</u>	<u>33,478</u>	<u>142,933</u>
Net book value				
At 31 August 2012	<u>5,751,992</u>	<u>76,744</u>	<u>49,042</u>	<u>5,877,778</u>

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

14. Debtors

	2012 £
General debtors	553
Other debtors	45,339
Prepayments	30,276
	<u>76,168</u>

15. Creditors: Amounts falling due within one year

	2012 £
General creditors	13,639
Taxation and social security	74,409
Accruals and deferred income	167,648
	<u>255,696</u>

Deferred income

	2012 £
Resources deferred in the year	118,207
Deferred income at 31 August 2012	<u>118,207</u>

The deferred income held at 31 August 2012 relates to grant funding received for the academic period 2012-13.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

16. Pensions 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. Both are defined-benefit schemes.

As described in the accounting policy 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.

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

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

Teachers' Pension Scheme

Introduction

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. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although 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.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

16. Pensions and similar obligations *(continued)*

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review 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.

Scheme Changes

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, as set out in the Proposed Final Agreement, 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 multiemployer 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 to 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.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

16. Pensions and similar obligations *(continued)*

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2012 was £90,000, of which employer's contributions totalled £69,000 and employees' contributions totalled £21,000.

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 was at 31 March 2010.

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

Principal actuarial assumptions

	At 31 Aug 2012 %
Discount rate	4.1
Expected return on scheme assets	4.8
Rate of increase in salaries	4.5
Rate of increase in pensions payment	2.2

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

16. Pensions and similar obligations *(continued)*

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

	At 31 August 2012
Retiring today	
Males	20.9
Females	23.3
Retiring in 20 years	
Males	23.3
Females	25.6

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

	Expected return at 31 Aug 2012 %	Fair value at 31 Aug 2012 £
Equities	70.0	333,000
Bonds	17.0	81,000
Property	11.0	52,000
Cash	2.0	9,000
Total market value of assets		475,000
Present value of scheme liabilities - funded		(990,000)
Deficit in the scheme		(515,000)

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

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

16. Pensions and similar obligations *(continued)*

Amounts recognised in the Statement of Financial Activities

	2012 £
Current service cost (net of employee contributions)	65,000
Total operating charge	65,000

Analysis of pension finance costs

	2012 £
Expected return on pension scheme assets	30,000
Interest on pension liabilities	(47,000)
Pension finance costs	(17,000)

The actuarial gains and losses for the current period are recognised in the Statement of Financial Activities. The cumulative amount of actuarial gain recognised in the Statement of Financial Activities since the adoption of FRS17 is £89,000.

The estimated value of employer contributions for the period ended 31 August 2013 is £69,000.

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

	2012 £
At 1 August 2011	790,000
Current service cost	65,000
Interest on pension liabilities	47,000
Employee contributions	21,000
Actuarial loss	67,000
At 31 August 2012	990,000

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

	2012 £
At 1 August 2011	377,000
Expected return on pension scheme assets	30,000
Actuarial loss	(22,000)
Employer contributions	69,000
Employee contributions	21,000
At 31 August 2012	475,000

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

16. Pensions and similar obligations *(continued)*

Reconciliation of opening and closing deficit:

	2012 £
Pension scheme liability transferred	(413,000)
Current service cost (net of employee contributions)	(65,000)
Employer contributions	69,000
Other finance income	(17,000)
Actuarial loss	(89,000)
Deficit at 31 August 2012	<u>(515,000)</u>

The five year history of experience adjustments is as follows:

	2012 £
Present value of defined benefit obligations	(990,000)
Fair value of share of scheme assets	475,000
Deficit in the scheme	<u>(515,000)</u>

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

17. Funds

	Incoming resources £	Resources expended £	Gains and losses £	Transfer £	Balance at 31 Aug 2012 £
Restricted general funds					
General annual grant (GAG)	3,353,817	(2,816,664)	–	(8,627)	528,526
Academy conversion grant	25,000	(25,000)	–	–	–
Other EFA grants	90,306	(74,140)	–	(16,166)	–
Defined benefit pension scheme	–	(426,000)	(89,000)	–	(515,000)
LEA income and other grants	283,860	(283,860)	–	–	–
	<u>3,752,983</u>	<u>(3,625,664)</u>	<u>(89,000)</u>	<u>(24,793)</u>	<u>13,526</u>
Restricted fixed asset funds					
Transfers from Local Authority	5,995,918	(142,933)	–	–	5,852,985
Capital expenditure from GAG	–	–	–	8,627	8,627
Capital expenditure from LEA and other grants	–	–	–	16,166	16,166
	<u>5,995,918</u>	<u>(142,933)</u>	<u>–</u>	<u>24,793</u>	<u>5,877,778</u>
Total restricted funds	<u>9,748,901</u>	<u>(3,768,597)</u>	<u>(89,000)</u>	<u>–</u>	<u>5,891,304</u>
Unrestricted funds					
General funds	18,178	(7,619)	–	–	10,559
Total unrestricted funds	<u>18,178</u>	<u>(7,619)</u>	<u>–</u>	<u>–</u>	<u>10,559</u>
Total funds	<u>9,767,079</u>	<u>(3,776,216)</u>	<u>(89,000)</u>	<u>–</u>	<u>5,901,863</u>

The transfer between the restricted General Annual Grant fund and restricted fixed asset funds represents amounts capitalised during the period.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

18. Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by:

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset fund £	Total £
Tangible fixed assets	–	–	5,877,778	5,877,778
Current assets	10,559	784,222	–	794,781
Current liabilities	–	(255,696)	–	(255,696)
Pension scheme liability	–	(515,000)	–	(515,000)
	<u>10,559</u>	<u>13,526</u>	<u>5,877,778</u>	<u>5,901,863</u>

19. Conversion to an Academy Trust

On 1 August 2011 Lutterworth High School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Lutterworth High School Academy Trust from the Leicestershire Education Authority for no consideration.

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

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

	Unrestricted funds £	Restricted general fund £	Restricted fixed asset fund £	Total £
Tangible fixed assets				
Freehold/leasehold land & buildings	–	–	5,849,491	5,849,491
Other tangible fixed assets	–	–	146,427	146,427
Budget surplus on LA funds	–	33,664	–	33,664
LGPS pension deficit	–	(413,000)	–	(413,000)
Net assets	<u>–</u>	<u>(379,336)</u>	<u>5,995,918</u>	<u>5,616,582</u>

20. Related party transactions

Owing to the nature of the Academy's operations and the composition of the Governors Body 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 Governors Body 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.

Lutterworth High School Academy Trust Company Limited by Guarantee

Notes to the Financial Statements

Period from 1 August 2011 to 31 August 2012

21. Ultimate controlling party

The Academy is ultimately controlled by the Governing Body, which includes the Headteacher and the Deputy Headteacher.

22. Company limited by guarantee

The Academy Trust is a company limited by guarantee and does not have share capital.

23. Reconciliation of net incoming resources before transfers to net cash inflow from operating activities

	2012 £
Net incoming resources before transfers	5,990,864
Depreciation	142,933
Fixed assets transferred from local authority on conversion	(5,995,918)
Pension transferred from local authority on conversion	413,000
Interest receivable	(584)
FRS 17 pension cost less contributions payable	(4,000)
FRS 17 pension finance income	17,000
Increase in stocks	(4,071)
Increase in debtors	(30,829)
Increase in creditors	210,356
Net cash inflow from operating activities	<u>738,751</u>

24. Returns on investments and servicing of finance

	2012 £
Interest received	584

25. Capital expenditure

	2012 £
Purchase of tangible fixed assets	(24,793)
Net cash outflow from capital expenditure and financial investment	<u>(24,793)</u>

26. 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.