

**St John's Catholic School and Sixth Form College, a Catholic Academy
(Bishop Auckland)
(A Company Limited by Guarantee)**

Annual Report and Financial Statements

Period Ended 31 August 2012

**Company Registration Number:
07835950 (England and Wales)**

Contents

Page

Reference and Administrative Details	1 - 2
Governors' Report	3 - 7
Governance Statement	8 - 10
Statement on Regularity, Propriety and Compliance	11
Statement of Governors' Responsibilities	12
Independent Auditor's Report to the Members	13 - 14
Independent Reporting Accountant's Assurance Report on Regularity	15
Statement of Financial Activities incorporating Income and Expenditure Account	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Financial Statements, incorporating:	
Accounting Policies	19 - 22
Other Notes to the Financial Statements	23 - 38

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Reference and administrative details

Governors (Trustees)	A P Byrne Rev M J Campion M J Anthony M D Matthews G Moran Rev B B Murphy Mr J L Robinson Rev D Tindall
Other Governors	R Bowron W Brown M Cantwell M Dunn P Giblin B Hall J Harwood S McMullan A Smith A M Stephenson M Weetman M Wood A Greensitt
Secretary	V Howard
Senior management team	G Moran – Executive Principal F O'Neill – Principal L Byron – Vice Principal G Rogers – Vice Principal A Greensitt – Assistant Principal J Mackenley – Assistant Principal S Lang – Assistant Principal P Watson – Assistant Principal C Parker – Assistant Principal
Registered Office	Woodhouse Lane Bishop Auckland Co Durham DL14 6JT
Company Registration Number	07835950
Auditors	Evolution Audit LLP 10 Evolution Wynyard Park Wynyard TS22 5TB

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Reference and administrative details

Bankers

Lloyds Banking Group North East
102 Grey Street
Newcastle upon Tyne
Tyne and Wear
NE1 6AG

Solicitors

Quality Solicitors BHP Law LLP
Kingfisher House
2 Kingfisher Way
Stockton on Tees
TS18 3EX

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Governors' Report

The governors present their annual report together with the audited financial statements of the academy for the period ended 31 August 2012.

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee and a registered charity (Charity number 235686). The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The company was incorporated on 4 November 2011 and commenced operations as an Academy on 1 December 2011.

The governors act as the trustees for the charitable activities of St John's School & Sixth Form College A Catholic Academy and are also the directors of the charitable company for the purposes of company law. The charitable company is known as John's School & Sixth Form College A Catholic Academy, and by no other name.

Details of the Governors who served throughout the year are included in the reference and administrative details.

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 £1, for the debts and liabilities contracted before they ceased to be a member.

Governors' Indemnities

Every Governor of the Academy Trust shall be indemnified out of the assets of the Academy Trust against any liability incurred by him/her in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in favour or in which he/she is acquitted or in connection with any application in which relief is granted to him/her by the court from liability of negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy Trust.

Principal Activities

The Academy Trust's object ("the **Object**") is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and develop a Catholic school designated as such ("the **Academy**") which shall offer a broad and balanced curriculum and shall be conducted in accordance with the principles, practices and tenets of the Catholic Church and all Catholic canon law applying thereto including and trust deed governing the use of land used by the Academy both generally and in particular in relation to arranging for religious education and daily acts of worship and having regard to any advice and following directives issued by the Diocesan Bishop.

To promote for the benefit of the inhabitants of Bishop Auckland and the surrounding areas the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

Governors' Report (continued)

Method of Recruitment and Appointment or Election of Governors

The members of the Academy comprise of the three signatories to the Memorandum and one other person who was appointed under Article 16 of the Memorandum and Articles of Association. Details of the governing body are shown in the Reference and Administrative details. The members may appoint Staff governors through such process as they determine, providing that the total number of governors including the Headteacher who are employees of the Academy Trust does not exceed one third of the total governors. The parent Governors are elected by parents of registered pupils at the Academy. A parent Governor must be a parent of a pupil at the Academy at the time when they are elected and the governing body make all necessary arrangements for elections. If the number of Parent Governors standing for election is less than the number of vacancies then the Governing Body can appoint the parent Governors. The Governors may appoint up to 3 Co-Opted Governors. A Co-Opted Governor, means a person who is appointed to be a Governor by being Co-Opted by Governors who have not themselves been so appointed. The Secretary of State may appoint such additional Governors as he thinks fit under Article 62, 62A, 62C or 68A. The term of office for any Governor shall be 4 years. At the Governors first meeting each school year they will elect a chairperson and vice-chairperson.

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

The Academy Trust is provided with support from the School and Governor Support Service with the LA in the form of a Service Level Agreement. The provision of individual and full Governing Body training through an annual course directory which is reviewed each year to reflect any changes in practice and legislation.

In addition internal training sessions are organised for Governors to keep them abreast of current educational issues.

1. New Appraisal System
2. Development of Post-16 education
3. Raise Online
4. New OFSTED Framework

Organisational Structure

Academy Trust Annual General Meeting must be held every year and be called as such, not more than 15 months shall elapse between the date of one AGM and that of the next. The Academy Trust members will also hold a termly meeting.

The Academy's Senior Leadership Team controls the Academy and is responsible for implementing policy and reporting to Governors. Appropriate tasks such as budgetary control and certain spending are delegated in accordance with the established internal controls.

Risk Management

The Academy has produced a risk register in order to formally identify the major risks to which the Academy is exposed. A number of systems to assess risks that the school faces, especially in operational areas (e.g. Health and Safety, teaching, bullying and educational visits) have already been introduced and furthermore, appropriate arrangements (e.g. a regular and thorough lesson observation programme including CRB checking, safer recruitment, vetting of visitors and staff supervision procedures) are firmly in place to minimise risk. This includes an effective system of internal financial controls. Adequate insurance is in place to cover any significant financial risk.

Connected Organisations, including Related Party Relationships

The Academy does not work in federation with any other organisation. However, informal relationships with other schools, universities, ITT providers and businesses exist where these partnerships assist in the achievement of Academy objectives.

Governors' Report (continued)

Objectives and Activities

Objects and Aims

The principal object and activity of the charitable trust is the operation of the Academy at Bishop Auckland to provide education for students between the ages of 11 – 19.

Objectives, Strategies and Activities

The Academies admissions code has governor approval. The Academy has a rolling programme of self evaluation and this is summarised in the Academy SEF.

Public Benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Governors consider how planned activities will contribute to the aims and objectives they have set. The Academy has provided a fully comprehensive education to all students in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role.

Achievements and Performance

We have achieved outstanding results in 2012.

GCSE

Achieved 5 grade A*-C, achieved 95% in 2012 compared to 51% in 2001, showing a continuous improvement over last 10 years. During OFSTED year achieved 89%.

- ii) Achieved 5 grade A*-C including English and Maths, achieved 80%+. Year 11 is least able ever in school, achieving just the national average. Working hard to overcome challenges with year group.
- iii) Achieved 5 grade A*-C, boys versus girls. Boys on average underperform against girls
- iv) Governors to meet with key leaders of each department.
- v) Strategies to be put into place for early entries for examinations and to personalise exams to suit the need of individual students using linear exams.
- vi) Regular meetings, assessments, revision meetings and assessments to be scheduled with the grade b students to be the new challenge for next year.

A-level

- i) For the first time ever have achieved a 100% pass rate. As the years go on numbers have been steadily increasing, creating a greater chance for reduction in pass rate figures.
- ii) Achieved A*- A 33%, when gained Outstanding that rate was 22%. The challenge for next year is to increase to 35% against a national average of 26%.
- iii) Achieved A*- B 49%, a reduction of 6% on last year's results. Vocational courses can't achieve a grade B (grade A or C). When gained Outstanding that rate was 38%. The challenge for next year is to increase to 56%.
- iv) Achieved A*- C 79%, when gained Outstanding that rate was 70%. The challenge for next year is to achieve 80%.

Governors' Report (continued)

Going Concern

Taking into account consideration of all relevant facts and circumstances and 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. There are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern. Further consideration of the LGPS deficit is provided in this report. For this reason it adopts the going concern basis preparing the financial statements.

Financial Review

The majority of the Academy's income is obtained from EFA in the form of recurrent grants, the use of which is restricted for particular purposes. Such grants and all associated expenditure are shown as restricted funds in the statement of financial activities for the period ended 31st August 2012. The Academy did not receive any carry forward sum from Durham County Council.

Expenditure in the period including depreciation was £6,123,000 which was covered by £6,234,000 in income from all sources.

The inherited LGPS liability (note 25) has resulted in our balance sheet and net funds position at the end of the year showing a deficit. Our cash resources and budget for 2012/13 indicate that we expect our day-to-day activities to be adequately funded by income from all sources and we are making additional contributions to the LGPS in order to address the deficit position.

The Academy's new Financial Manual was agreed by Governors on 19th June 2012. This document sets out key financial responsibilities and policies including delegation of spending and virement limits, capitalisation limits, purchasing procedures including procurement regulations and system of internal control.

Financial and Risk Management Objectives and Policies

The Academy manages its risks appropriately. We consider that risks such as the uncertainty over the LGPS deficit and future recurrent funding provision possibly due to the introduction of a national funding formula will feature in the financial risk register as the main areas of concern.

Principal Risks and Uncertainties

The Principal risks and uncertainties at the moment undoubtedly arise from the rapid pace of change in the educational landscapes arising from the change in government policies. In curricular terms we have adopted a working brief and are ensuring we respond quickly and flexibly. The largest concern arises from discussion of a national funding formula as all schools are unclear as to how this would impact financially.

Reserves Policy

It is intended that the Governors will review the reserve levels of the Academy annually. This review will encompass the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The level of unrestricted reserves at the end of the period ending 31st August was £324,000. The level of restricted reserves excluding the LGPS liability was £890,000.

Investment Policy

Governors have discussed investment options and a decision has yet to be made. The level of interest paid on the Academy's current account is 0.10%.

Governors' Report (continued)

Plans for Future Periods

These are included in detail within the "Academy development plan", which is publically available.

Funds held as Custodian Trustee on behalf of others

The Academy and its Governors do not act as the Custodian Trustees of any other Charity.

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.

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

.....
S McMullan
Chair

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Governance Statement

Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that St John's School & Sixth Form College A Catholic Academy Trust has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The governing body has delegated the day-to-day responsibility to the Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between St John's School & Sixth Form College Trust and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of governors' responsibilities. The governing body has formally met 3 times during the period. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
R Bowron	2	2
W Brown	3	3
A Byrne	3	3
Rev M J Campion	3	3
M Cantwell	1	3
M Dunn (Staff)	3	3
P Giblin	3	3
B Hall	2	3
J Harwood	3	3
M Matthews	3	3
S McMullan (Chair)	3	3
Rev B B Murphy	2	3
L Robinson (Resigned)	1	1
A Smith (Staff)	3	3
A M Stephenson (Staff)	3	3
Rev D Tindall	1	3
M Weetman	3	3
M Wood	3	3
G Moran (Headteacher)	3	3
A Greensitt (Director of Finance)	3	3

The Finance and General Purposes Committee is a sub-committee of the main Governing Body. Its purpose is;

- To consider all matters received relating to the financial aspects of the Academy, including approval of internal financial procedures, Financial regulations manual, purchasing and procurement including limits for tendering
- To keep under review and advise the Governing Body as necessary on the arrangements for efficient control and management of the School's financial affairs, and on the financial status of the School
- To advise and monitor termly the School's estate strategy on behalf of the Governing Body
- To consider annual estimates of income and expenditure, including the provisions for capital expenditure, prepared by the Assistant Headteacher with responsibility of finance, and make recommendations to the Governing Body.
- To liaise with the Community & Premises Committee on action to secure the future well-being and physical development of the School's assets
- To approve on behalf of the Governing Body the contractual arrangements for capital building projects and monitor the progress of these projects
- To advise the Governing Body on the establishment of trusts or companies for trading, exploitation of inventions or other relevant purposes

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Governance Statement (continued)

During the year J Harwood who is a Chartered Financial Planner and Fellow of the Personal Finance Society (FPFS) was elected chairperson of the Finance sub-committee.

Attendance at meetings in the period was as follows:

Governor	Meetings attended	Out of a possible
W Brown	2	2
A Byrne	1	1
Rev M J Campion	0	2
M Cantwell	1	2
J Harwood (Chairperson)	2	2
S McMullan	2	2
G Moran (Headteacher)	2	2
A Greensitt (Director of Finance)	2	2

The Finance Meetings have been rescheduled since conversion to an Academy and now occur twice per term.

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 on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in St John's Academy Trust for the period 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 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.

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 General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- Setting targets to measure financial and other performance;
- Clearly defined purchasing (asset purchase or capital investment) guidelines.
- Delegation of authority and segregation of duties;
- Identification and management of risks.

The governing body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed A Byrne, a Governor, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. The appointed RO has been supported in this role by our external accountants. The visits of the RO have not found any material control issues, but have resulted in a number of recommendations that have been implemented.

Governance Statement (continued)

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 Director of Finance
- The work of the Responsible Officer;
- The work of the external auditor;
- The financial management and governance self-assessment process;
- The work of the managers and finance team within the academy trust who have responsibility for the development and maintenance of the internal control framework

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

.....
S McMullan
Chair

.....
G Moran
Accounting Officer

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Statement on Regularity, Propriety and Compliance

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

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

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

.....
G Moran
Accounting Officer

Statement of Governors' Responsibilities

The governors (who act as trustees for charitable activities and are also directors of St John's Catholic School and Sixth Form College, a Catholic Academy for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction issued by the Education Funding Agency.

Company law requires the governors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the academy and of the incoming resources and application of resources, including the income and expenditure, of the academy for the 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 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 academy will continue in operation.

The governors are responsible for keeping adequate accounting records that are sufficient to show and explain the academy's transactions and disclose with reasonable accuracy at any time the financial position of the academy 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 academy 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 academy applies financial and other controls which conform to the requirements both of propriety and good financial management. They are also responsible for ensuring that grants received from the 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 academy'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..... and signed on its behalf by:

.....
S McMullan
Chair

Independent Auditor's Report to the Members of St John's Catholic School and Sixth Form College, a Catholic Academy

We have audited the financial statements of St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland) for the period ended 31 August 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

This report is made solely to the academy trust'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 trust'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 trust and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditor

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

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

Scope of the audit of the financial statements

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 trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Independent Auditor's Report to the Members of St John's Catholic School and Sixth Form College

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 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.

**Graham Fitzgerald BA FCA (Senior Statutory Auditor)
for and behalf of Evolution Audit LLP**

**Chartered Accountants
Statutory Auditor**

10 Evolution
Wynyard Park
Wynyard
TS22 5TB

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Independent Reporting Accountant's Assurance Report on Regularity to St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland) and the Education Funding Agency

In accordance with the terms of our engagement letter dated 30 October 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 St John's Catholic School and Sixth Form College during the period 1 February 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 St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland) and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the St John's Catholic 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 the St John's Catholic School and Sixth Form College and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland) accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland) funding agreement with the Secretary of State for Education dated 28 November 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 February 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.

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 February 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.

Evolution Audit LLP
Chartered Accountants

10 Evolution
Wynyard Park
Wynyard
TS22 5TB

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

**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
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Transfer on conversion	27	341	(994)	801	148
Activities for generating funds	3	423	-	-	423
Investment income	4	1	-	-	1
<i>Incoming resources from charitable activities:</i>					
Funding for the Academy's educational operations	5	-	5,504	306	5,810
Total incoming resources		765	4,510	1,107	6,382
Resources expended					
<i>Cost of generating funds:</i>					
Fundraising activity	7	441	74	-	515
<i>Charitable activities:</i>					
Academy's educational operations	8	-	5,553	90	5,643
Governance costs	9	-	55	-	55
Total resources expended	6	441	5,682	90	6,213
Net incoming resources before transfers		324	(1,172)	1,017	169
Gross transfers between funds	17	-	215	(215)	-
Net income for the year		324	(957)	802	169
Other recognised gains and losses					
Actuarial losses on defined benefit pension schemes	25	-	(255)	-	(255)
Net movement in funds		324	(1,212)	802	(86)
Reconciliation of funds					
Funds brought forward to 1 December 2011		-	-	-	-
Funds carried forward at 31 August 2012		324	(1,212)	802	(86)

All of the academy'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.

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Balance Sheet as at 31 August 2012

	Note	2012 £000	2012 £000
Fixed assets			
Tangible assets	13		802
Current assets			
Debtors	14	394	
Cash at bank and in hand		753	
		<u>1,147</u>	
Creditors: Amounts falling due within one year	15	<u>(735)</u>	
Net current assets			412
Total assets less current liabilities			<u>1,214</u>
Net assets excluding pension liability			
Pension scheme liability	25		(1,300)
Net assets including pension liability			<u>(86)</u>
Funds of the academy:			
Restricted funds			
Fixed asset fund	17		802
General fund	17		88
Pension reserve	17		(1,300)
Total restricted funds			<u>(410)</u>
Unrestricted funds	17		324
Total funds			<u>(86)</u>

The financial statements on pages 16 to 38 were approved by the governors, and authorised for issue on2012 and are signed on their behalf by:

.....
S McMullan
Chair

Company Limited by Guarantee
 Registration Number 07835950

St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland)

Cash Flow Statement for the Period Ended 31 August 2012

	Note	2012 £000
Net cash inflow from operating activities	20	196
Returns on investments and servicing of finance	21	1
Capital expenditure	22	215
Cash transferred on conversion to an academy trust	27	341
Increase in cash in the year	23	<u>753</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 31 August 2012		<u>753</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 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 Annual 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.

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 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. Our balance sheet is in deficit due to the inclusion of the LGPS liability, we draw your attention to the cash reserves held by the Academy as well as the balances held in restricted general and unrestricted reserves.

Incoming Resources

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

- **Grants receivable**

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

- **Sponsorship income**

Sponsorship income provided to the academy which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable, where there is certainty of receipt

- **Donations**

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

- **Other income**

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

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

1 Accounting Policies (continued)

- **Donated services and gifts in kind**

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

Resources Expended

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

- **Costs of generating funds**

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

- **Charitable activities**

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

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT.

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 St John's Catholic School and Sixth Form College to an academy trust 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 St John's Catholic School and Sixth Form College, a Catholic 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.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

1 Accounting Policies (continued)

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'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:

Building improvements	50 years
Fixtures, fittings and equipment	7 years
ICT equipment	3 years
Motor vehicles	7 years

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

Land and buildings have not been transferred to the academy. The footprint of the school building is owned by the Diocese of Hexham and Newcastle and occupied by the academy on a supplemental agreement with that body. The remaining land is owned by Durham County Council and leased to the academy for 125 years.

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 under operating leases are charged on a straight line basis over the lease term.

Taxation

The academy 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 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 Accounting Policies (continued)

Pensions Benefits

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

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

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

Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency/Young People's Learning Agency/Department for Education/other funders 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/Young People's Learning Agency/Department for Education.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

2 General Annual Grant (GAG)

a Results and carry forward for the year

		2012 £000
GAG allocation for current year		<u>5,334</u>
Total GAG available to spend		5,334
Recurrent expenditure from GAG	5,234	
Fixed assets purchased from GAG	<u>37</u>	<u>5,271</u>
GAG carried forward to next year		63
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)		<u>640</u>
GAG to surrender to DfE		(577)
(12% rule breached if result is positive)		no breach

3 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Catering income	182	-	182
Services to other schools	52	-	52
School trips	109	-	109
Uniforms	25	-	25
Fundraising	15	-	15
Other income	40	-	40
	<u>423</u>	<u>-</u>	<u>423</u>

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

4 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Short term deposits	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>

5 Funding for Academy's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
DfE/YPLA/EFA revenue grants			
General Annual Grant (GAG) (note 2)	-	5,334	5,334
Start Up Grants	-	25	25
Other DfE/YPLA/EFA grants	-	74	74
	<u>-</u>	<u>5,433</u>	<u>5,433</u>
Other Government grants			
Local authority grants	-	24	24
EFA capital grant	-	279	279
Devolved capital grant	-	27	27
Bursary grant	-	10	10
	<u>-</u>	<u>340</u>	<u>340</u>
Other income	<u>-</u>	<u>37</u>	<u>37</u>
	<u>-</u>	<u>5,810</u>	<u>5,810</u>

6 Resources Expended

	Staff Costs £000	Non Pay Expenditure		Total 2012 £000
		Premises £000	Other Costs £000	
Costs of activities for generating funds Academy's educational operations	52	-	463	515
Direct costs	3,557	-	333	3,890
Allocated support costs	815	576	363	1,753
	<u>4,424</u>	<u>576</u>	<u>1,158</u>	<u>6,158</u>
Governance costs including allocated support costs	-	-	55	55
	<u>4,424</u>	<u>576</u>	<u>1,213</u>	<u>6,213</u>

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

6 Resources Expended (continued)

2012
£000

Incoming/outgoing resources for the year include:

Operating leases	14
Fees payable to auditor	
Audit	5
Other services	4

7 Fundraising Expenditure

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Catering expenditure	182	47	229
Staff costs	52	-	52
School trips	136	-	136
Uniforms	11	-	11
Fundraising	3	-	3
Other expenses	57	27	84
	<u>441</u>	<u>74</u>	<u>515</u>

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
Direct costs			
Teaching and educational support staff costs	-	3,557	3,557
Educational supplies	-	172	172
Examination fees	-	176	176
Staff development	-	27	27
Other direct costs	-	10	10
	<hr/>	<hr/>	<hr/>
	-	3,942	3,942
Allocation supported costs			
Support staff costs	-	815	815
Depreciation	-	90	90
Recruitment and support	-	7	7
Maintenance of premises and equipment	-	292	292
Cleaning	-	93	93
Rates and water	-	39	39
Insurance	-	42	42
Security and transport	-	31	31
FRS17 charges	-	34	34
Postage and telephone	-	19	19
IT costs	-	72	72
Light and heat	-	110	110
Other support costs	-	57	57
	<hr/>	<hr/>	<hr/>
	-	1,701	1,701
	<hr/>	<hr/>	<hr/>
	-	5,643	5,643

9 Governance Costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000
Legal and professional fees	-	46	46
Auditor's remuneration			
• Audit of financial statements	-	5	5
• Responsible officer audit	-	2	2
• Accountancy, taxation and other services	-	2	2
	<hr/>	<hr/>	<hr/>
	-	55	55

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

10 Staff Costs

2012
£000

Staff costs during the period were:

Wages and salaries	3,469
Social security costs	272
Pension costs	521
	4,262
Supply teacher costs	162
Other employee costs	27
	4,451

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

	2012 Number	2012 Full-time equivalent
Charitable Activities		
Teaching	81	74
Administration and support	85	42
Management	9	9
	175	125

The number of employees whose annual emoluments fell within the following bands was:

	2012 £000
£60,001 - £70,000	4
£70,001 - £80,000	1
£80,001 - £90,000	-
£90,001 - £100,000	-
£100,001 - £110,000	1
	6

The above employees participated in the Teacher's Pension Scheme. During the period ended 31 August 2012, pension contributions for these employees amounted to £57,641.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

11 Governors' Remuneration and Expenses

Principal and staff governors (trustee governors) only received remuneration in respect of services they provided undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the academy in respect of their role as governors.

The value of governors' remuneration during the period was as follows:

G Moran, principal and trustee £75,001 - £80,000

During the period ended 31 August 2012, no expenses were reimbursed to governors. Related party transactions involving the governors are set out in note 26.

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 £2,081.

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

13 Tangible Fixed Assets

	Buildings Improvements £000	Furniture and Equipment £000	Motor Vehicles £000	Total £000
Cost				
Transfer on conversion	-	800	1	801
Additions	49	-	42	91
Disposals	-	-	-	-
At 31 August 2012	<u>49</u>	<u>800</u>	<u>43</u>	<u>892</u>
Depreciation				
Charged in year	-	86	4	90
Disposals	-	-	-	-
At 31 August 2012	<u>-</u>	<u>86</u>	<u>4</u>	<u>90</u>
Net book values				
At 31 August 2012	<u>49</u>	<u>714</u>	<u>39</u>	<u>802</u>

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

14 Debtors

	2012 £000
Trade debtors	18
Prepayments	59
Other debtors and accrued income	317
	<u>394</u>

15 Creditors: amounts falling due within one year

	2012 £000
Trade creditors	394
Other taxation and social security	120
Other creditors	82
Accruals and deferred income	139
	<u>735</u>

Deferred income

	2012 £000
Resources deferred in the year	87
Amounts released from previous years	-
Deferred income at 31 August 2012	<u>87</u>

At the balance sheet date the academy trust was holding funds received in advance for ILS, bursaries, insurance grants and receipts relating to for educational visits taking place in the next financial year.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

16 Funds

	Balance at 1 December 2011 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2012 £000
Restricted general funds					
General Annual Grant (GAG)	-	5,334	(5,234)	(37)	63
Start Up Grant	-	25	(25)	-	-
Other DfE/YPLA/EFA grants	-	74	(74)	-	-
Other government grants	-	34	(34)	-	-
Revenue expenditure from capital grants	-	-	(252)	252	-
Other income	-	37	(12)	-	25
	-	5,504	(5,631)	215	88
Pension reserve	-	(994)	(51)	(255)	(1,300)
	-	4,510	(5,682)	(40)	(1,212)
Restricted fixed asset funds					
DfE/YPLA/EFA capital grants	-	279	-	(252)	27
Capital expenditure from GAG	-	-	-	37	37
Devolved capital grant	-	27	-	-	27
Transfer from Local Authority	-	801	(90)	-	711
	-	1,107	(90)	(215)	802
Total restricted funds	-	5,617	(5,772)	(255)	(410)
Unrestricted funds	-	765	(441)	-	324
Total funds		6,382	(6,213)	(255)	(86)

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

General Annual Grant must be used for the normal running costs of the academy. The academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% can be used for general purposes at the discretion of the academy, but any balance over 2% must be used for capital purposes.

Other DfE/YPLA/EFA and government grants include Pupil Premium and Local Authority Grants.

The costs and income associated with the defined benefit pension scheme have been recorded in the restricted fund. Staff costs are paid from this fund, including contributions to the LGPS, and the pension liability has therefore been aligned with these funds.

The net transfer between the restricted general fund to the restricted fixed asset fund of £215,000 represents the capital expenditure from the GAG during the period and expenditure funded by capital grants that is classified as revenue expenditure for accounting purposes.

Devolved capital grant has been received for capital expenditure.

The Transfer from Local Authority reflects the fixed assets acquired on conversion. Depreciation on these assets is charged against this fund.

Unrestricted funds can be used for any purpose at the discretion of the academy.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

17 Analysis of Net Assets between Funds

Fund balances at 31 August 2012 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	802	802
Current assets	346	520	281	1,147
Current liabilities	(22)	(432)	(281)	(735)
Pension scheme liability	-	(1,300)	-	(1,300)
Total net assets	324	(1,212)	802	(86)

18 Capital Commitments

	2012 £000
Contracted for, but not provided in the financial statements	<u>351</u>

19 Financial Commitments

Operating leases

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

	2012 £000
Expiring within one year	-
Expiring within two and five years inclusive	28
Expiring in over five years	-
	<u>28</u>

20 Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2012 £000
Net income	169
Transfer on conversion	(148)
Depreciation (note 13)	90
Interest receivable (note 4)	(1)
Capital grants from DfE/YPLA/EFA and other capital income	(306)
FRS 17 pension cost less contributions payable (note 25)	17
FRS 17 pension finance charge (note 25)	34
Increase in debtors	(394)
Increase in creditors	735
Net cash inflow from operating activities	<u>196</u>

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

21 Returns on Investments and Servicing of Finance

	2012
	£000
Interest received	1
Net cash inflow from returns on investment and servicing of finance	<u>1</u>

22 Capital Expenditure and Financial Investment

	2012
	£000
Purchase of tangible fixed assets	(91)
Capital grants from DfE/YPLA/EFA	306
Net cash outflow from capital expenditure and financial investment	<u>215</u>

23 Analysis of Changes in Net Funds

	Cash flows	At 31
	£000	August
		2012
		£000
Cash in hand and at bank	<u>753</u>	<u>753</u>
	<u>753</u>	<u>753</u>

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.

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 Durham 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.

Contributions amounting to £81,877 were payable to the schemes at 31 August 2012 and are included within creditors.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

25 Pension and Similar Obligations (continued)

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 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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

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

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

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

25 Pension and Similar Obligations (continued)

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

Local Government Pension Scheme

The academy is one of several employing bodies included within the Local Government Pension Scheme (LGPS).

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 period ended 31 August 2012 was £110,000, of which employer's contributions totalled £77,000 and employees' contributions totalled £33,000. The agreed contribution rates for future years are 15% for employers and 5.5% - 7.5% 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	At 1 December 2011
Rate of increase in salaries	4.7%	4.8%
Rate of increase for pensions in payment / inflation	2.2%	2.3%
Discount rate for scheme liabilities	4.2%	4.9%
Inflation assumption (CPI)	2.2%	2.3%
Commutation of pensions to lump sums		
• past service pension entitlements	60%	
• future service pension entitlements	80%	

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

	At 31 August 2012
<i>Retiring today</i>	
Males	22.0
Females	24.1
<i>Retiring in 20 years</i>	
Males	23.8
Females	26.1

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

25 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

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

	Expected return at 31 August 2012	Fair value at 31 August 2012 £000	Expected return at 1 December 2011	Fair value at 1 December 2011 £000
Equities	7.5%	414	7.5%	319
Government bonds	2.5%	235	3.0%	205
Corporate bonds	3.2%	87	4.2%	71
Property	7.0%	55	7.0%	42
Cash	1.3%	10	1.7%	16
Other	7.5%	-	7.5%	-
Total market value of assets		801		653
Present value of scheme liabilities				
• Funded		(2,101)		(1,647)
Surplus/(deficit) in the scheme		(1,300)		(994)

St John's Catholic School and Sixth Form College, a Catholic Academy employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the asset allocation for the fund at 31 August 2012.

The actual return on scheme assets was £40,000.

Amounts Recognised in the Statement of Financial Activities

	2012 £000
Current service cost (net of employee contributions)	(94)
Past service cost	-
Total operating charge	(94)
Analysis of pension finance income / (costs)	(94)
Expected return on pension scheme assets	28
Interest on pension liabilities	(62)
Pension finance income / (costs)	(128)

The actual gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £255,000 loss.

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 present value of defined benefit obligations were as follows:

	2012 £000
At 1 December 2011	1,647
Current service cost	94
Past service cost	-
Interest cost	62
Employee contributions	33
Actuarial loss	267
Curtailments and settlements	-
Benefits paid	(2)
At 31 August 2012	2,101

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

	2012 £000
At 1 December 2011	653
Expected return on assets	28
Actuarial gain	12
Employer contributions	77
Employee contributions	33
Assets distributed on settlements	-
Transfer in of new members	-
Benefits paid	(2)
At 31 August 2012	801

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

25 Pension and Similar Obligations (continued)

The estimated value of employer contributions for the year ended 31 August 2013 is £158,000. In addition, Strain on Fund Contributions may be required.

The history of experience adjustments is as follows:

	As at 31 August 2012 £000	As at 1 December 2011 £000
Present value of defined benefit obligations	2,101	1,647
Fair value of share of scheme assets	801	653
Deficit in the scheme	<u>1,300</u>	<u>994</u>
Experience adjustments on share of scheme assets	<u>12</u>	
Experience adjustments on scheme liabilities	<u>-</u>	

26 Related Party Transactions

During the period the academy purchased first aid training services to the value of £360 from The Work Place Limited, a company in which Mr G Moran, the principal, is a director. There were no amounts outstanding at 31 August 2012.

Notes to the Financial Statements for the Period Ended 31 August 2012 (continued)

27 Conversion to an Academy Trust

On 1 December 2011 the St John's Catholic School and Sixth Form College, a Catholic Academy (Bishop Auckland) converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to St John's Catholic School and Sixth Form College, a Catholic Academy from the Durham County Council Local Authority for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net 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	-	-	801	801
Budget surplus on LA funds	69	-	-	69
Budget surplus on other school funds	272	-	-	272
LGPS pension deficit	-	(994)	-	(994)
Net assets / (liabilities)	<u>341</u>	<u>(994)</u>	<u>801</u>	<u>148</u>

The above net assets/liabilities include £341,000 that was transferred as cash.