

Company Registration No. 07469330 (England and Wales)

LANCASTER ROYAL GRAMMAR SCHOOL
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

LANCASTER ROYAL GRAMMAR SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

Professor Martin Alexander (*)
Mr William Bancroft
Dr John Bentham (*)
Mr Roderick Burgess (*) (Resigned 1 September 2020)
Mr Michael Burrow (*)
Mr Douglas Cameron (*) (Resigned 7 September 2020)
Mr Hugh Castle
Mr Paul Fitton (*)
Professor David Hutchison
Mrs Ena Lund (*)
Mr Richard Mellon
Mr Andrew Neal (*)
Dr Navita Parekh (*)
Mrs Wendy Preston (*)
Dr Christopher Pyle (Accounting Officer)
Mr Howard Roberts (*) (Chair of Governors)
Mr Kevin Roberts
Mrs Margaret Sinclair (Resigned 22 November 2019)
HHJ Phillip Sycamore (*)
Mrs Sarah Troughton
Mr Douglas Walker (*)
Mr Andrew Whipp
Mr Graeme Thompson (Appointed 22 September 2019)

Those marked with an asterisk * are Members of the Academy Trust (for the purposes of the Companies Act, these are members of the Company). The Governors are Directors of the Academy Trust (for the purposes of the Companies Act) and the Trustees for the charitable activities of the school (for the purposes of the Charities Act). The Governors collectively comprise the Governing Body. It is the Governing Body which holds responsibility for these accounts.

Senior management team

- Deputy Headteacher	Mr M Chambers
- Assistant Headteacher	Ms S Haigh
- Deputy Headteacher	Mr J Hallsworth (Appointed 1 September 2019)
- Headteacher	Dr C Pyle
- Assistant Headteacher	Dr D Rowe
- Director of Finance and Support Services	Mr R Thomas (Retired 18 December 2020)
- Director of Finance and Support Services	Mrs C Lodge (Appointed 18 December 2020)

Company secretary

Mr Richard Gittins

Company registration number

07469330 (England and Wales)

Registered office

East Road
Lancaster
LA1 3EF

LANCASTER ROYAL GRAMMAR SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Independent auditor	RSM UK Audit LLP Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE
Bankers	Barclays Bank Plc 38 Market Street Lancaster LA1 1HR
Solicitors	Veale Wasbrough Vizards LLP Narrow Quay House Narrow Quay Bristol BS1 4QA

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT

The Trustees present their annual report together with the financial statements and auditors' reports of the charitable company for the period 1 September 2019 to 31 August 2020. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Academy Trust operates an academy for pupils aged 11 to 18 serving a catchment area in Lancaster and surrounding areas. It had a roll of 1,151 in the school census on 17 January 2020.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust 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 Trust.

The trustees of Lancaster Royal Grammar School are also the directors of the charitable company for the purposes of company law. The charitable company is known as Lancaster Royal Grammar School. The Trustees also make up the Governing Body of the Academy and each Trustee is a Governor of the Academy.

Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' liability

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

Trustees indemnities

The Academy has purchased indemnity insurance to protect Trustees and officers of the Academy Trust from claims arising from negligent acts, errors or omissions occurring whilst on Academy business.

Principal activities

The principal activity of the Academy is to carry on a selective state-funded school, principally for boys in years 7 to 11 and from 1st September 2019 coeducational in the 6th Form, known as Lancaster Royal Grammar School (independent of Local Authority control). The Academy will provide secondary education predominantly for pupils aged 11-18 years old with a curriculum that satisfies legal requirements, that is balanced and broad. The pupils will be wholly or mainly drawn from the area in which the Academy is situated.

In addition, the Academy provides boarding accommodation to assist in its objective of providing education for its pupils.

The charge for the boarding to parents of the pupils concerned will not exceed the full cost of the Academy providing the board and lodgings.

Method of recruitment and appointment or election of Trustees

The company's Articles of Association (Article 46) provide for the Trustees to be constituted as follows:

1. Up to 15 Trustees appointed by the Members
2. 3 staff Trustees, if appointed by the Members
3. Up to 1 Local Authority (LA) Trustee if appointed by the LA
4. 3 Parent Trustees
5. The Headmaster (an ex officio Trustee)
6. Up to 1 Co-opted Trustee appointed by the rest of the Trustees

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

Policies and procedures adopted for the induction and training of Trustees

Most of the Trustees appointed would be familiar with the work of the Academy, and would be asked to join the Trustee body if it was thought they could bring skills that would enhance the Academy's operations. The training and induction provided for new Trustees would depend on their existing experience. Where necessary, induction will provide training on charity, educational, legal and financial matters. All new Trustees will be provided with a tour of the Academy and given the opportunity to meet staff and pupils. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will require to fulfil their role as a Trustee. Induction is tailored to the specific individual based on prior experience and interests.

Organisational structure

The management structure consists of the Trustees, the senior leadership team, a complex array of middle managers and coordinators. The aim of the management structure is to devolve responsibility and encourage decision making at all levels of the Academy operations.

The Trustees are responsible for setting the overall strategic policy decisions of the Academy adopting an annual plan and budget forecasts, monitoring the results of the Academy by way of forecasts against the budgets and making the major decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The senior leadership team comprising the Headteacher, 2 Deputy Headteachers, 2 Assistant Headteachers, and Director of Finance & Support Services control the Academy at a day to day level, implementing the policies that have been agreed by the Trustees and then reporting back to them.

Risk management

The trustees have assessed the major risks to which the Academy is exposed, in particular those relating to the curriculum, political, operational, financial, personnel, governance, technological and school expansion risks. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to major risks.

Arrangements for setting pay and remuneration of key management personnel

The pay and remuneration of the Headmaster and the Senior Leadership team is set at a meeting of the Governing Body Pay Committee. The performance of the Headmaster and Senior Leadership team is reviewed with comparison to previously set objectives when the committee makes its decision. Individuals may appeal any decision to the Governing Body Pay Appeals Committee. There were no appeals made in the year to 31st August 2020.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period

2

Full-time equivalent employee number

150.00

Percentage of time spent on facility time

Percentage of time

Number of employees

0%

1

1%-50%

1

51%-99%

-

100%

-

Percentage of pay bill spent on facility time

Total cost of facility time

876

Total pay bill

5,778,000

Percentage of the total pay bill spent on facility time

-

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours

-

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

Related parties and co-operation with other organisations

The Academy Members are also the same Members as those of the Lancaster Royal Grammar School Charity, registered number 526602. The purpose of this charity is to assist the Trustees in the running of the Academy.

Details of transactions between the two entities are included within note 25 in the financial statements.

Engagement with employees

OBJECTIVES AND ACTIVITIES

Objects and aims

The Academy Trust's principal object is specifically restricted to the advance for public benefit of education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

In accordance with the funding agreement dated 15 April 2011, made under Section 1 of the Academies Act 2010 between the Secretary of State for Education and the Academy Trust, the Academy is governed by a board of Trustees which exercises its powers and functions with a view to fulfilling a largely strategic role in the running of the school. The funding agreement specifies the admission arrangements, amongst other items, and that the curriculum, in substance, complies with the statutory requirements of Section 78 Education Act 2002.

The main objectives of the Academy during the year ended 31st August 2020 are summarised below

- to encourage the highest standards of personal and corporate behaviour
- to promote the highest standards of academic achievement
- to foster a sense of community within the school in which each individual's contribution is valued
- to instil a respect for knowledge and the means by which it may be acquired

- to promote the development of individual skills in such areas as:
 - the use of language;
 - numeracy;
 - reasoning;
 - problem solving;
 - scientific investigation;
 - the expressive and creative arts;
 - the use of information technology;
 - interpersonal relationships, management, leadership and organisation;
 - the co-ordination of body and mind essential to the development of physical skills.
- to ensure that all pupils, irrespective of background or ability, are exposed to the following areas:
 - fluent and accurate use of English and at least one other language;
 - mathematical, scientific and technical methods;
 - the appreciation of artistic, creative and aesthetic talents;
 - the knowledge and understanding of mankind and the world in which we live;
 - an appreciation of our cultural heritage, human achievements and aspirations.
- to provide vocational guidance and advice to pupils to assist them to make informed, realistic decisions about future opportunities.
- to encourage respect for religious and moral values, respect for others and, above all, self respect.

It is the Trustees' view that if the Academy succeeds in putting these aims into practice, pupils will feel at home in the complex and rapidly changing world of the future and will be able to contribute fully to the community and society of which they will be a part.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

Objectives, strategies and activities

The Academy's main strategy is to raise the standards of achievement through a continued focus on improvement of all aspects of the Academy. The core purpose of the Academy is the teaching and learning of its pupils. Resources are consistently and regularly measured by the contribution they make to the overall quality of teaching and learning, and therefore the standards that the pupils achieve.

In addition to its educational aims for its pupils, the Academy will also aim:

- to ensure that every pupil enjoys a high standard of extra-curricular opportunity and pastoral care
- to be at the heart of the Lancaster community, promoting community cohesion and sharing facilities with other schools and the wider community
- to provide for the efficient use of money and funds expended
- to continually improve the effectiveness of the Academy by keeping key aspects such as the curriculum, pastoral support and management structure under review
- to conduct the Academy's business in an open, effective manner, with the highest standards of integrity and openness.

In order to support the Academy in these aims, the Academy will evaluate, manage and maintain:

- a clear organisational structure of governance which allows staff and pupils to understand their roles in the Academy
- a review of staff performance and provision of necessary professional development
- robust quality assurance processes which are transparent and provide a basis for action plans
- appropriate structures to provide resources to support both staff and pupils in achieving their goals.

Equal opportunity policy

The Trustees understand that it is important for good practice within the workplace, that equal opportunities should exist. The Academy aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Public benefit

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

STRATEGIC REPORT

Achievements and performance

The academy educates approximately 1,151 pupils aged from 11 to 18, including 155 boarders and a sixth form of around 300 pupils. In September 2017 the academy trust increased its admission number to recruit 150 day pupils and 24 boarders into Year 7 each year. From 1st September 2019 our 6th Form became coeducational. We welcomed 34 girls alongside the normal annual intake of 30-40 new boys who join the sixth form each year. Funding for the additional pupils is lagged by one year from the date of entry.

Examinations were cancelled for GCSE and A-level students, and students were awarded the Centre Assessed Grades on the basis of their performance during the courses. Students received deservedly excellent results.

At A-level, students were awarded A*, A or B grades in 78.3% of all subjects. 57.2% of these were awarded A* or A grades, and 23.8% received A* grades or the Pre-U equivalent. We supported some to continue with their studies during closure, and others used their time in volunteering or community support.

Those excellent results were mirrored by progression to a wide range of high-quality post-18 opportunities. It was very pleasing to support applications across the full range of Arts, Humanities and Science subjects, and to high-quality apprenticeships and degree apprenticeships. A large majority of students progressed to competitive university courses, including six to study Medicine, and five to Oxford and Cambridge. The most popular university destinations were Durham, Lancaster and Loughborough. Medicine, Mechanical Engineering, Economics, Computing, Geography and Mathematics were the most popular university subjects. A small number of students deferred entry or accepted courses that were not their first choice after the confusion caused by A-level changes on results day.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

GCSE results were also very strong, and well-deserved by this cohort who experienced such disruption to their studies. 70% of all GCSEs were graded 9 to 7. 47.3% of results were awarded grades 9 and 8, and 99.7% of all results were at grades 9 to 4. We provided remote teaching and summer work for GCSE students in order to help their smooth progression to A-level courses.

The school's successes in extra-curricular activities are well documented on the website www.lrgs.org.uk.

Despite the national lockdown that closed the school for the summer term the following were particularly noteworthy:

- **British Maths Olympiad:** 3 distinctions and a bronze medal were awarded.
- **Cricket:** LRGS Listed in top 100 schools for cricket in "The Cricketer Schools Guide"; Successful tour to UAE playing games in Dubai and Abu Dhabi winning 4 out of 5 games.
- **Badminton:** Finalists in Lancashire School Games.
- **Computing:** Elite finalist in the UK Brebas Computational Challenge
- **Cross Country:** Winner of Cautley Spout KWL senior race; 6th Place in National inter-counties cross country championship
- **Engineering:** 2 Arkwright Scholarships were awarded
- **Film:** Winners of the Social (Un)Distanced Film Competition
- **Financial Times Advocate Awareness Competition:** Winner of national competition
- **Football:** 1 boy selected to play for the Lancashire U14s team
- **Golf:** Winner of European Junior Open to qualify for a place in the grand final in Spain; Winner of Ashton Championships; Winner of Lancashire County U16s; Winner of NW Junior Open
- **International Biology Olympiad:** 1 Gold, 2 Silver and 3 Bronze medals were awarded.
- **Judo:** 7th place in British Judo Championships
- **Orienteering:** 1st place in the Upper Schools Secondary Boys Team at the British Schools Score Championship
- **Piano:** Distinction in the Dip ABRSM Piano performance
- **Quiz Teams:** Winners of NW heat Junior Schools' Challenge Quiz; Winners of NW heat Senior Schools' Challenge Quiz
- **RSC Chemistry Olympiad:** 2 Gold and 2 Silver medals were awarded
- **Swimming:** Gold medal winner in 50m Freestyle and 100m Freestyle; Bronze medal winner in 200m and 400m Freestyle and the 50m Butterfly in the Lancashire County Swimming Championship.
- **Table Tennis:** National County Premier Division Champion for Lancashire; Gold award in the Junior British League; Division 3 winner U18s event; qualified for Table Tennis England National Cadet Cup; Semi Finalist in the International Riga Cup Tournament in Latvia; Member of England Aspire training squad.
- **Warhammer:** Second Place in Schools Alliance Competition
- **Lenten Charities:** Despite disruption caused by the coronavirus national lockdown the pupils raised £11,792 which was distributed to the following Charities, Team Reece; St John's Hospice; Nishkam SWAT; Cancer Research UK; Money for Magadascar; Movember.

During the national lockdown students undertook the following activities to help the local community:-

Production of face shields for a local optometrist; Volunteer as a front line health assistant for the NHS and for the Bendrigg Trust; Volunteers to support local communities by organising a virtual Easter Egg Hunt and VE Day celebrations; Fund raising for the St John's Hospice with piano recitals and medleys. One boy took on family caring duties so that his parents could work full time in the NHS during the crisis. One boy ran 10k during the lockdown raising £700 for the LRGS Lenten Charities.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

COVID-19

The closure of schools, imposed by the Government in response to the COVID-19 pandemic, from 20th March 2020 had a significant impact on the provision of lessons to our pupils and upon the financial results for 2019/20.

The education of the pupils continued throughout the lockdown period with online lesson being delivered by Teachers through Microsoft Teams. Our disadvantaged students were provided with laptops to ensure that they were able to continue their education along with their peers. Pupils whose parents were classified as key workers continued to attend school during term time as well as in the Easter and half term holidays. With some easing of the lockdown restrictions a growing number of pupils, especially those in Y10 and Lower 6th, attended lessons in preparation for GCSE and A Level exams. The response from the pupils and parents has been overwhelmingly supportive and we helped other schools with training on Teams and shared our experience and protocols.

The school opened up the boarding houses for the use of key workers, mainly from Lancashire Royal Infirmary, to enable them to shield their families and carry on their vital work with COVID-19 patients at the hospital. The accommodation was provided free to those who needed it.

There were significant extra costs incurred in delivering on line teaching and these will continue with the full return of pupils in the new academic year. Extra costs have also been incurred to ensure that staff and pupils can attend the school in a COVID secure environment. There have been changes in the cleaning regimes, the provision of extra hand washing facilities, changes in the catering provision and new classroom equipment to enable pupils to be taught in year group or class "bubbles".

The closure of the boarding houses resulted in the loss of all our boarding income for the last two weeks of the Lent term and the whole of the Summer Term along with the cancellation of the summer holiday lets to external groups. We also lost the revenue we would normally receive from local community clubs and societies that hire the school's facilities and building in the evenings and at weekends.

The loss of boarding income forced the school to seek emergency funding from the ESFA. This has been given in the form of a loan which needs to be repaid over a period of up to 5 years, subject to a final agreement with ESFA. The Trustees intention is to pay back the quantum of the loan without compromising the width and quality of the curriculum offered by the school.

Financial review

The majority of the Academy's income is derived from the Education and Skills Funding Agency (ESFA) in the form of annual grants and from income in respect of boarding fees from parents of the boarders to fund the costs of running the boarding houses. These sources of income are all shown within restricted funds in the Statement of Financial Activities.

The Academy's income fell during the year as a consequence of a reduced number of boarders. Salaries and employment costs continue to increase but this year the cost of the increase was partially supported by a payment of a special grant funded by the ESFA.

The Lancaster Royal Grammar School Charity (Charity number 526602) gave donations totalling £85,102 (2019: £165,964). The donations were to support the schools outreach programme to local primary school, the extra-curricular programme that is run for all pupils at the school, to support the general running costs of the school and for capital projects. Friends of LRGS made donations of £14,992 (2019: £12,558) for the purchase of equipment for a number of small projects.

At 31st August 2020 the net book value of fixed assets was £40,223,000 (2019: £40,535,000) and movements in tangible fixed assets are shown in note 12 to the financial statements. The assets were used for providing education and the associated support services to the students of the Academy.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

Going concern

After making appropriate enquiries, the board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, the board of Trustees continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

Key financial performance indicators

The Academy complies with the terms and conditions of its funding agreement with the Secretary of State for Education dated 15 April 2011.

Reserves policy

The Trustees review the level of reserves in the Academy annually. This includes a review of all the expected income and expenditure streams, the need to match income with commitments and the nature of the reserves. The reserves on the General Annual Grant (GAG) fund are dictated by the Education Skills Funding Agency (ESFA) rules on carry forward, and it is the Academy's aim to stay within the 2% unrestricted carry forward. The level of reserves remains significantly below the level the trustees would like to operate with. It is the intention to increase the amount held in reserves over the coming years but given significant cost pressures and further reductions in funding this remains a long term ambition.

The deficit in the year has arisen due to loss of boarding income arising from then enforced closure of the school during the first lockdown. The cumulative deficit at the start of the year was being addressed by the expansion programme and this has been reviewed and additional cost saving measures introduced to ensure the reserves return to a surplus over the longer term.

Investment policy

Apart from the cash held for the operation of the Academy, Lancaster Royal Grammar School has no material investments. With respect to its cash holdings the Trustees have adopted a low risk strategy.

Plans for future periods

Since September 2017 the school has started an expansion programme with the addition of a new form in Year 7. The funding for the expanded number of pupils on the roll is lagged by one year but will bring financial benefits to the academy in the longer term. The school has changed its admissions policy to admit girls to the sixth form with effect from September 2019 and into boarding in September 2020.

The Academy, as part of its ongoing discussions with the ESFA, has reforecast its income and expenditure over the next 5 years taking into account the expansion programme and a review of the trusts cost base. The agreement of this plan with the ESFA and subsequent implementation has the highest priority of the Trust.

The Government have indicated that there will be an increase in the per pupil funding rates in 2021/22. However payments are subject to local adjustments made by Lancashire County Council. The methodology that the Council will use is subject to annual consultation and will not be finalised until spring 2021. This poses a major challenge for the academy in planning beyond the current year and poses a threat to the delivery of education with the same breadth of curriculum.

There is an urgent need to upgrade the fabric of some of our school and boarding facilities. This is dependent on successful bids for an allocation from the ESFA Condition Improvement Fund. However success in winning these bids is becoming more difficult, rendering some of the sports facilities unusable. This has an adverse effect on the delivery of physical education to our pupils and reduces our ability to hire facilities to external community groups. There is now an expectation that the academy will provide an injection of funds from its own resources or for it to use Salix loans for energy projects. The academy will however continue to submit bids for funding from the Condition Improvement Fund for projects that will ensure that the school's estate is fit for purpose.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

Principal risks and uncertainties

Risks are prioritised using a consistent scoring system and are reviewed at all Governors' meetings. Plans to mitigate against these risks is then managed by the Academy. The material risks that have been identified are shown in the section below.

The principal risks and uncertainties of the Academy are:

- the uncertainty of boarding revenues from year to year
- the non-payment of boarding fees by parents
- the availability of sufficient educational funding when reserves have been exhausted
- reductions in 6th Form and other ESFA funding
- financial impact of expanding when funding is based on the previous year's census of pupil numbers.
- unexpected expenditure leading to a significant year end deficit
- the ability to meet the repayment schedule imposed by ESFA for the emergency loan given to cover lost boarding revenue in an environment when future ESFA funding and salary costs are far from certain
- significant increases in the cost of utilities
- unfunded pay increases for teachers and support staff
- the deficit on the Local Government Pension Scheme
- the increasing maintenance requirements of the property estate some of which is in a very poor state of repair
- the uncertainty of how to fund improvements in the academy's boarding provision

The risks resulting from the COVID-19 pandemic include:

- The lockdown in January 2021 and any potential further lockdowns resulting in the closure of the school and or boarding facilities leading to a loss of boarding revenue
- Potential impact on pupils taking GCSE and A Level exams in 2021 due to lost learning during the national lockdown
- Disruption to pupils and staff who need to self-isolate following contact with family members or classmates who show symptoms of COVID or have had positive tests for COVID
- Uncertainty about the form that GCSE and A Level examinations will take in 2021
- Access to specialist facilities for some pupils may be limited to ensure that COVID secure zones are maintained
- Increased costs associated with maintaining a COVID secure environment
- Loss of income from the letting of school facilities to local community groups and clubs

Fundraising

Fundraising for the school is managed through the Lancaster Royal Grammar School Charity. We seek voluntary donations from Parents of our pupils and from our alumni known as Old Lancastrians. The management of fundraising is performed by employees of the school and overseen by the Headmaster and the Director of Finance & Support Services. The fundraising is monitored by the Trustees of the Charity and any complaints should be directed to the Chair of the Charity Trustees. We are also supported by The Friends of LRGS which is principally a parents' organisation which supports the school through various social and fundraising activities.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

AUDITOR

RSM UK Audit LLP have indicated its willingness to continue in office, and a resolution to appoint them will be proposed at the annual general meeting.

Statement as to disclosure of information to auditor

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- Each of the trustees have confirmed that they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Trustees report is approved by order of the board of Trustees and the strategic report (included therein) is approved by the board of Trustees in their capacity as the directors at a meeting on 29 Jan 2021 and signed on its behalf by:



.....
Mr Howard Roberts
Chair of Governors

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT

Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that Lancaster Royal Grammar School 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.

As Trustees, we have reviewed and taken account of the guidance in DfE's Governance Handbook and competency framework for governance.

The board of Trustees has delegated the day-to-day responsibility to the Headteacher, who is the 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 Lancaster Royal Grammar School and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of Trustees has formally met two times during the year. Meetings were attended by 79% of eligible Trustees.

Mrs M Sinclair resigned as a staff Governor expired on the 22nd November 2019

Mr G Thompson appointed as a staff Governor on the 22nd September 2019

The finance committee is a sub-committee of the main board of Trustees and is chaired by a qualified and experienced accountant. Its purpose is to assist the decision making process of the Academy's governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the Academy's finances and resources. Three meetings were held during the year. These were attended by 92% of eligible committee members.

The audit committee is a sub-committee of the main board of Trustees. Its purpose is to review the effectiveness of the Academy's corporate governance arrangements, risk management and systems for internal control. Its remit covers all significant risks to the Academy, both financial and reputational. The committee receives reports directly from the external auditors and Responsible Officer. Three meetings were held during the year. These were attended by 67% of eligible committee members.

The properties committee is a sub-committee of the main board of Trustees. Its purpose is to review the management, upkeep and development of the estate and to review health and safety policies and practice throughout the school for the benefit of all students, staff and visitors. One meeting was held during the year. This was attended by 73% of eligible committee members.

The personnel committee is a sub-committee of the main body of Trustees. Its purpose is to review issues concerning the development, well being and compliance with the human resource policies as they affect all employees at the Academy. It also has responsibility for the monitoring of child protection and safeguarding. One meeting was held during the year. This was attended by 86% of eligible committee members.

The pay committee is a sub-committee of the main body of Trustees. It is responsible for approving variations in the remuneration of all employees of the Academy. One meeting was held during the year. This was attended by 67% of eligible committee members.

The curriculum committee is a sub-committee of the main body of Trustees. It is responsible for monitoring the effectiveness of the delivery of the education to the students in the Academy and of the provision of services to boarders. Two meetings were held during the year. These were attended by 82% of eligible committee members.

In addition to the meetings of the Board and sub-committees, the trustees maintain effective oversight of funds through receipt of monthly management information and regular meetings between the Chairman and the headmaster.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

	Governing Body		Finance Cttee		Audit Cttee		Properties Cttee	
Governor	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
Prof M Alexander	2	2	2	3				
Mr W Bancroft	2	2			2	3		
Dr J Bentham	2	2					1	1
Mr R Burgess	0	2					0	1
Mr M Burrow	2	2			2	3	1	1
Mrs A Bland	1	2						
Mr D Cameron	1	2						
Mr H Castle	2	2	2	3				
Mr P Fitton	1	2	3	3			1	1
Prof D Hutchison	2	2					0	1
Mrs E Lund	2	2	3	3			1	1
Mr R Mellon	2	2	3	3			1	1
Mr A Neal	2	2			3	3		
Dr N Parekh	2	2	3	3				
Mrs W Preston	2	2			3	3	1	1
Dr C Pyle	2	2	3	3			1	1
Mr H Roberts	2	2	2	3			0	1
Mrs M Sinclair	0	0	1	1				
Mr G Thompson	1	1						
HHJ P Sycamore	0	2			0	3		
Mrs S Troughton	2	2						
Mr D Walker	2	2						
Mr A Whipp	1	2	3	3			1	1
	31	39	23	25	8	12	8	11
Percentage attendance	79%		92%		67%		73%	

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

	Personnel Ctte		Pay Ctte		Curriculum Ctte		Boarding Ctte	
Governor	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
Prof M Alexander	1	1	1	1	2	2		
Mr W Bancroft	1	1			1	2		
Dr J Bentham					2	2		
Mr R Burgess			0	1			0	2
Mr M Burrow								
Mrs A Bland	1	1			1	2		
Mr D Cameron					1	2	2	2
Mr H Castle	0	1			1	2		
Mr P Filton			1	1			1	2
Prof D Hutchison					1	2		
Mrs E Lund								
Mr R Mellon					2	2	1	2
Mr A Neal								
Dr N Parekh	1	1						
Mrs W Preston	1	1			2	2	2	2
Dr C Pyle	1	1			2	2	1	2
Mr H Roberts			1	1			2	2
Mrs M Sinclair	1	1					1	1
Mr G Thompson					2	2		
HHJ P Sycamore							0	2
Mrs S Troughton	1	1			2	2		
Mr D Walker					2	2	2	2
Mr A Whipp								
	6	7	2	3	18	22	12	19
Percentage attendance	86%		67%		82%		63%	

The pay committee is a sub-committee of the main body of Trustees. It is responsible for approving variations in the remuneration of all employees of the Academy. One meeting was held during the year. This was attended by 67% of eligible committee members.

The curriculum committee is a sub-committee of the main body of Trustees. It is responsible for monitoring the effectiveness of the delivery of the education to the students in the Academy and of the provision of services to boarders. Two meetings were held during the year. These were attended by 82% of eligible committee members.

In addition to the meetings of the Board and sub-committees, the trustees maintain effective oversight of funds through receipt of monthly management information and regular meetings between the Chairman and the headmaster.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

Review of value for money

As accounting officer the headmaster has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available.

The accounting officer sets out below how he has ensured that the academy trust's use of its resources has provided good value for money during the academic year.

Improving educational standards

We continue to scrutinise our curriculum spending to ensure that expenditure matches the school priorities agreed by the Headmaster and the Governing Body. Budgets for each subject area and for all areas of learning support are reviewed regularly to ensure that our spending will have the maximum impact on educational outcomes and pupil achievements.

Staff numbers

Staff numbers have increased by 7 in line with the school expansion plan. Whenever a member of staff leaves, careful consideration is taken on whether they need to be replaced on a like for like basis and we take the opportunity to review working practices to improve efficiency.

Financial governance and oversight

The Governing Body is provided with regular financial information on expenditure to date and the forecast outturn for the year. Meetings are timed so that reports are current and represent the latest available information upon which to make decisions.

The audit committee members take an active interest in ensuring that financial and non financial risks are identified and prioritised with appropriate action plans produced to mitigate them. Regular meetings are held with the external auditors and the responsible officer to ensure that appropriate financial controls are used within the Academy.

The finance committee are responsible for monitoring and reviewing expenditure and ensuring compliance with the overall financial plan for the Academy, drawing any matters of concern to the attention of the Governing Body. Budgetary control reports on the Academy's financial position are considered at every meeting, including actions planned to contain expenditure within the budget and to deliver value for money.

The Senior Leadership Team meets every week with finance as a standing agenda item for each meeting. The SLT also hold focus meetings twice a term for an in depth look at the financial position and challenges faced by the school.

Purchasing efficiencies

We have tight controls on the purchase of goods and services and regularly review whether we are obtaining value for money with suppliers. This ensures that the goods and services are fit for purpose and that suppliers have the right degree of flexibility to meet the academy's needs.

Income generation

The Academy receives income from the provision of boarding facilities. We continue to closely monitor the accounts to ensure that boarding fees are paid in a timely manner and that appropriate action is taken to collect any outstanding debts.

The school generates income through the letting of its facilities to local community groups and sports clubs. In February 2018 we entered into an agreement with Schools Lettings Solutions Limited who now have the job of increasing the occupancy rates of our facilities and managing our premises while the lets take place. No lettings took place from March 2020 to the end of the year due to the first lockdown.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

Reviewing controls and managing risks

The risk register is reviewed regularly and delegated to appropriate Governors' committees for oversight and to members of staff for action to ensure that the highest risks that are identified can be mitigated and managed. The audit committee reviews the gifts and hospitality register to ensure that the small number of gifts received comply with the policy and to ensure that probity is maintained. All staff receive reminders of their responsibilities to prevent fraud and the need for probity when offered gifts or hospitality from parents or suppliers.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy'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 the Academy for the year ended 31 August 2020 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of Trustees 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 board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ended 31 August 2020 and up to the date of the approval of the annual report and financial statements. This process is regularly reviewed by the board of Trustees.

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 board of Trustees;
- regular reviews by the finance committee of reports which indicate performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- regular reviews by the audit committee of reports from management, the auditor and responsible officer on risks, systems, processes and financial controls in the school. An annual report from the audit committee is made to the Governing Body;
- setting targets to measure financial and other performance;
- clearly defining purchasing guidelines;
- delegation and segregation of duties;
- identification and management of risks.
- completion of a governance self evaluation exercise
- audit review of risks and the effectiveness of solutions to mitigate the risk

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor.

RSM Risk Assurance Services LLP is no longer able to provide internal audit services following the publication of the Financial Reporting Council ethical standards. No internal audit work was performed during the year ended 31 August 2020.

The academy is currently seeking to appoint a new provider of internal audit services.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

Review of effectiveness

As accounting officer, the Headmaster has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the responsible officer
- the work of the external auditor
- the financial management process
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of Trustees on 29.1.21 and signed on its behalf by:



Dr Christopher Pyle
Accounting Officer



Mr Howard Roberts
Chair of Governors

LANCASTER ROYAL GRAMMAR SCHOOL


STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Lancaster Royal Grammar School I have considered my responsibility to notify the Academy Trust board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of all funding received by the academy trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

I confirm that I and the Academy Trust's board of Trustees 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 2019.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of Trustees and ESFA.

Dr Christopher Pyle
Accounting Officer

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LANCASTER ROYAL GRAMMAR SCHOOL

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Lancaster Royal Grammar School for the purposes of company law) are responsible for preparing the Trustees report (including the strategic report) and the financial statements in accordance with the Academies Accounts Direction published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees 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 Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees 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 Trustees 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 that grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of Trustees on 29.1.2021 and signed on its behalf by:

Mr Howard Roberts
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER ROYAL GRAMMAR SCHOOL

Opinion

We have audited the financial statements of Lancaster Royal Grammar School (the "charitable company") for the year ended 31 August 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the Academies: Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

- We draw attention to note 1 of the financial statements which describes the ongoing financial consequences of the national lockdown and lost boarding income during 2020 that has resulted in an in year deficit (excluding fixed asset movements and actuarial movements on the Trust's share of the deficit in the LGPS) of £743k. The Trust received loan support from the ESFA, with repayment terms under discussion. In addition, a further loss of income due to the ongoing lockdown in 2021 will arise and a requirement for additional funding from the ESFA. As stated in note 1, these events or conditions, as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees Report and the incorporated Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER ROYAL GRAMMAR SCHOOL (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters in relation to which 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 Trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees Responsibilities set out on page 19, the Trustees (who act as trustees for the charitable activities of the charitable company 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Karen Musgrave (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire, PR2 5PE

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29 January 2021

LANCASTER ROYAL GRAMMAR SCHOOL

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2020

		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2020	Total 2019
	Notes	£'000	£'000	£'000	£'000	£'000
Income and endowments from:						
Donations and capital grants	4	114	36	318	468	589
Charitable activities:						
- Funding for educational operations	5	108	5,432	-	5,540	4,838
- Funding for boarding activities	27	-	1,191	-	1,191	1,770
Other trading activities	6	108	-	-	108	141
Total		<u>330</u>	<u>6,659</u>	<u>318</u>	<u>7,307</u>	<u>7,338</u>
Expenditure on:						
Charitable activities:						
- Educational operations	8	109	6,382	464	6,955	6,542
- Boarding activities	27	-	1,241	-	1,241	1,571
Total	7	<u>109</u>	<u>7,623</u>	<u>464</u>	<u>8,196</u>	<u>8,113</u>
Net income/(expenditure)		221	(964)	(146)	(889)	(775)
Transfers between funds	18	(257)	108	149	-	-
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension schemes	24	-	(77)	-	(77)	(820)
Net movement in funds		(36)	(933)	3	(966)	(1,595)
Reconciliation of funds						
Total funds brought forward		-	(3,687)	40,471	36,784	38,379
Total funds carried forward		<u>(36)</u>	<u>(4,620)</u>	<u>40,474</u>	<u>35,818</u>	<u>36,784</u>

LANCASTER ROYAL GRAMMAR SCHOOL

BALANCE SHEET

AS AT 31 AUGUST 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	12	40,223	40,535
Current assets			
Stocks	13	8	22
Debtors	14	762	522
Cash at bank and in hand		645	316
		1,415	860
Current liabilities			
Creditors: amounts falling due within one year	15	(1,835)	(1,493)
Net current liabilities		(420)	(633)
Total assets less current liabilities		39,803	39,902
Creditors: amounts falling due after more than one year	16	(564)	-
Net assets before defined benefit pension scheme liability		39,239	39,902
Defined benefit pension scheme liability	24	(3,421)	(3,118)
Total net assets		35,818	36,784
Funds of the Academy Trust:			
Restricted funds	18		
- Restricted fixed asset funds		40,474	40,471
- Restricted income funds		(1,199)	(569)
- Pension reserve		(3,421)	(3,118)
Total restricted funds		35,854	36,784
Unrestricted income funds	18	(36)	-
Total funds		35,818	36,784

The financial statements on pages 22 to 45 were approved by the board of Trustees and authorised for issue on 29.1.2021 and are signed on their behalf by:

Mr Howard Roberts
Chair of Governors

LANCASTER ROYAL GRAMMAR SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £'000	£'000	2019 £'000	£'000
Cash flows from operating activities					
Net cash (used in)/provided by operating activities	21		(150)		946
Cash flows from investing activities					
Capital grants from DfE Group		61		346	
Capital funding received from sponsors and others		6		21	
Purchase of tangible fixed assets		(152)		(1,765)	
Net cash used in investing activities			(85)		(1,398)
Cash flows from financing activities					
New other loan		564		-	
Net cash provided by/(used in) financing activities			564		-
Net increase/(decrease) in cash and cash equivalents in the reporting period			329		(452)
Cash and cash equivalents at beginning of the year			316		768
Cash and cash equivalents at end of the year			645		316

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

General information

Lancaster Royal Grammar School is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the Trustees report.

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Basis of preparation

The financial statements of the Academy Trust have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006. The Academy Trust is a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

The financial statements are presented in sterling which is also the functional currency of the Academy Trust.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where indicated.

Going concern

The Trust accessed additional funding in the form of a loan from the ESFA, of £599k included in long term liabilities to offset the effect of lost boarding fees during the first lockdown in 2020. The Academy Trust is currently in discussion with the ESFA in respect of a repayment schedule that is affordable and has reforecast its income and expenditure over the next 5 years taking into account the existing expansion plan for student numbers and a review of the trust's cost base to identify savings in order to repay the loan and return the trust to an operational surplus once the current exceptional circumstances have passed.

These discussions commenced before the current lockdown and The Board of Trustees recognises that this will further impact the boarding fee income, and has identified this in recent interactions with the ESFA, but due to the current uncertainty around the duration of the lockdown is unable to fully quantify the impact on the Trust's financial position and the additional financial support required from the ESFA.

These circumstances represent a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern. However, the Board of Trustees has a reasonable expectation that the Academy Trust will receive appropriate support from the ESFA reflecting appropriate repayment terms such that it will have adequate resources to continue in operational existence for the foreseeable future. For this reason the Academy Trust continues to adopt the going concern basis in preparing the financial statements.

Income

All incoming resources are recognised when the Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Grants

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

The academy received government grant income in the year relating to the government's Coronavirus Job Retention Scheme.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised at fair value of the consideration received or receivable in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Donated fixed assets

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

These are costs incurred on the Academy Trust's educational operations to further its charitable aims for the benefit of the beneficiaries, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

Tangible fixed assets and depreciation

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. Where there are specific conditions attached to the funding that require the continued use of the asset, 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 the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings	2% straight line
Plant and machinery	33% straight line
Computer equipment	33% straight line
Fixtures, fittings and equipment	33% straight line
Motor vehicles	33% straight line

Assets in the course of construction are included at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

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.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Leased assets

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

Stock

Stock is valued at the lower of cost and net realisable value.

Financial instruments

The Academy Trust has chosen to adopt Sections 11 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Academy Trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an agreement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flow expire or are settled, or substantially all the risks and the rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Pensions benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'), which are multi-employer defined benefit schemes.

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 quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently there is insufficient information to use defined benefit accounting, it is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded multi-employer scheme and the assets are held separately. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit 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 reporting date. The amounts charged to net income are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised as other comprehensive income. Actuarial gains and losses are recognised immediately as other comprehensive income.

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 Trustees.

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 with restrictions imposed by the funder/donor and include grants from the Department for Education.

Agency Arrangements

The Academy Trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 27.

2 Critical accounting estimates and areas of judgement

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

2 Critical accounting estimates and areas of judgement (Continued)

Critical accounting estimates and assumptions

The Academy Trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 August 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement

The Trustees do not consider there to be any areas of judgement that are critical to the Academy Trust's financial statements.

3 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy Trust was subject to limits at 31 August 2020 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The Academy Trust has not exceeded these limits during the year ended 31 August 2020.

4 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Private sponsorship	-	36	36	38
Capital grants	-	312	312	346
Other donations	114	6	120	205
	<u>114</u>	<u>354</u>	<u>468</u>	<u>589</u>

The income from donations and capital grants was £468,000 (2019: £589,000) of which £114,000 was unrestricted (2019: £-), £36,000 was restricted (2019: £222,000) and £318,000 was restricted fixed assets (2019: £367,000).

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

5 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
DfE / ESFA grants				
General annual grant (GAG)	-	5,017	5,017	4,725
Other DfE group grants	-	377	377	75
	<u>-</u>	<u>5,394</u>	<u>5,394</u>	<u>4,800</u>
Other government grants				
Local authority grants	-	38	38	38
	<u>-</u>	<u>38</u>	<u>38</u>	<u>38</u>
Exceptional government funding				
Coronavirus job retention scheme grant	108	-	108	-
	<u>108</u>	<u>-</u>	<u>108</u>	<u>-</u>
Boarding activities income	-	1,191	1,191	1,770
	<u>-</u>	<u>1,191</u>	<u>1,191</u>	<u>1,770</u>
	<u>108</u>	<u>6,623</u>	<u>6,731</u>	<u>6,608</u>

The income from funding for educational operations was £6,731,000 (2019: £6,608,000) of which £108,000 was unrestricted (2019: £-) and £6,623,000 was restricted (2019: £6,608,000).

The academy trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. The funding received is shown above under exceptional government funding.

The academy furloughed some of its boarding, cover and music teaching staff under the government's Coronavirus Job Retention Scheme. The funding received of £108,431 relates to staff costs in respect of 35 staff which are included within note 9 below as appropriate.

6 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Hire of facilities	32	-	32	35
Other income	76	-	76	106
	<u>108</u>	<u>-</u>	<u>108</u>	<u>141</u>

The income from other trading activities was £108,000 (2019: £141,000) of which £108,000 was unrestricted (2019: £13,000) and £- was restricted (2019: £128,000).

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

7 Expenditure

	Staff costs £'000	Non Pay Premises £'000	Expenditure Other £'000	Total 2020 £'000	Total 2019 £'000
Academy's educational operations					
- Direct costs	4,297	340	344	4,981	4,534
- Allocated support costs	984	659	331	1,974	2,008
Boarding activities					
- Allocated support costs	525	278	438	1,241	1,571
Total support costs	5,806	1,277	1,113	8,196	8,113

Net income/(expenditure) for the year includes:

	2020 £'000	2019 £'000
Operating lease rentals	8	6
Depreciation of tangible fixed assets	464	445
Net interest on defined benefit pension liability	54	50
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
- Audit	11	9
- Other services	5	3

8 Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Direct costs				
Educational operations	-	4,981	4,981	4,534
Support costs				
Educational operations	109	1,865	1,974	2,008
Boarding activities	-	1,241	1,241	1,571
	109	8,087	8,196	8,113

The expenditure on charitable activities was £6,955,000 (2019: £6,542,000) of which £109,000 was unrestricted (2019: £-), £6,382,000 was restricted (2019: £6,097,000) and £464,000 was restricted fixed assets (2019: £445,000).

The expenditure on boarding activities was £1,241,000 (2019: £1,571,000) of which £1,241,000 was restricted (2019: £1,571,000).

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

8 Charitable activities (Continued)

	Boarding £'000	Educational operations £'000	Total 2020 £'000	Total 2019 £'000
Analysis of support costs				
Support staff costs	525	992	1,517	1,664
Depreciation	-	124	124	106
Premises costs	278	535	813	815
Legal costs	-	57	57	45
Other support costs	438	259	697	938
Governance costs	-	7	7	11
	<u>1,241</u>	<u>1,974</u>	<u>3,215</u>	<u>3,579</u>

9 Staff

Staff costs

Staff costs during the year were:

	2020 £'000	2019 £'000
Wages and salaries	4,201	4,142
Social security costs	422	403
Pension costs	1,155	907
Staff costs - employees	<u>5,778</u>	<u>5,452</u>
Agency staff costs	28	40
	<u>5,806</u>	<u>5,492</u>
Staff development and other staff costs	20	24
Total staff expenditure	<u>5,826</u>	<u>5,516</u>

Staff numbers

The average number of persons employed by the Academy Trust during the year was as follows:

	2020 Number	2019 Number
Teachers	73	71
Administration and support	78	72
Management	6	7
	<u>157</u>	<u>150</u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

9 Staff (Continued)

Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2020 Number	2019 Number
£60,000 - £70,000	3	1
£70,001 - £80,000	-	1
£90,001 - £100,000	-	1
£101,000 - £110,000	1	-
	<u>4</u>	<u>3</u>

Key management personnel

The key management personnel of the Academy Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £617,695 (2019: £600,653).

10 Trustees remuneration and expenses

One or more of the Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Headteacher and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff members under their contracts of employment, and not in respect of their services as Trustees. Other trustees were not paid any remuneration nor received any other benefits from employment with the Academy Trust.

The value of Trustees remuneration and other benefits was as follows:

Dr C Pyle (Headteacher and Trustee)

Remuneration £104,368 (2019: £99,158)

Employers pension contributions £24,714 (2019: £16,341)

Mrs M Sinclair (Staff Trustee)

Remuneration £5,000 - £10,000 (2019: £15,000 - £20,000)

Employers pension contributions £Nil (2019: £Nil)

Mr R Mellon (Staff Trustee)

Remuneration £50,000 - £55,000 (2019: £50,000 - £55,000)

Employers pension contributions £10,000 - £15,000 (2019: £5,000 - £10,000)

Mr H Castle

Remuneration £45,000 - £50,000 (2019: £45,000 - £50,000)

Employers pension contributions £10,000 - £15,000 (2019: £5,000 - £10,000)

Mr G Thompson (Appointed 23 September 2019)

Remuneration £20,000 - £25,000

Employers pension contributions £Nil - £5,000

During the period ended 31 August 2020, travel and subsistence expenses totalling £Nil (2019: £Nil) were reimbursed to governors.

Other related party transactions involving the Trustees are set out in note 26.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

11 Trustees and officers' insurance

In accordance with normal commercial practice, the Academy Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2020 was £Nil (2019: £820). The cost of this insurance is included in the total insurance cost.

12 Tangible fixed assets

	Land and buildings	Plant and machinery	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 September 2019	43,083	8	58	403	36	43,588
Additions	91	-	5	51	5	152
At 31 August 2020	43,174	8	63	454	41	43,740
Depreciation						
At 1 September 2019	2,737	5	50	241	20	3,053
Charge for the year	340	2	9	102	11	464
At 31 August 2020	3,077	7	59	343	31	3,517
Net book value						
At 31 August 2020	40,097	1	4	111	10	40,223
At 31 August 2019	40,346	3	8	162	16	40,535

13 Stocks

	2020 £'000	2019 £'000
Educational stationery	8	22

14 Debtors

	2020 £'000	2019 £'000
Trade debtors	187	175
VAT recoverable	19	31
Other debtors	257	198
Prepayments and accrued income	299	118
	762	522

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

15 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	448	554
Other taxation and social security	102	-
Other creditors	132	185
Accruals and deferred income (see note 17)	1,153	754
	<u>1,835</u>	<u>1,493</u>

16 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Other creditors	564	-
	<u>564</u>	<u>-</u>

An interest free loan of £599,000 of which £564,000 had been drawn down at 31 August 2020 has been provided by the Education and Skills Funding Agency. The terms of repayment of this loan are currently being finalised.

17 Deferred income

	2020 £'000	2019 £'000
Deferred income is included within:		
Creditors due within one year	756	496
	<u>756</u>	<u>496</u>
Deferred income at 1 September 2019	496	-
Released from previous years	(124)	-
Resources deferred in the year	384	496
	<u>756</u>	<u>496</u>
Deferred income at 31 August 2020	756	496

At the balance sheet date, the academy trust was holding funds received in advance for general rates, mathshub and council rates.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

18 Funds

	Balance at 1 September 2019 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2020 £'000
Restricted general funds					
General Annual Grant (GAG)	(1,645)	5,017	(5,705)	59	(2,274)
Other DfE / ESFA grants	-	377	(377)	-	-
Other government grants	-	38	(38)	-	-
Boarding activities	1,076	1,191	(1,241)	49	1,075
Other restricted funds	-	36	(36)	-	-
Pension reserve	(3,118)	-	(226)	(77)	(3,421)
	<u>(3,687)</u>	<u>6,659</u>	<u>(7,623)</u>	<u>31</u>	<u>(4,620)</u>
Restricted fixed asset funds					
Inherited on conversion	38,903	-	(446)	-	38,457
DfE group capital grants	1,547	312	(18)	149	1,990
Private sector capital sponsorship	21	6	-	-	27
	<u>40,471</u>	<u>318</u>	<u>(464)</u>	<u>149</u>	<u>40,474</u>
Total restricted funds	<u>36,784</u>	<u>6,977</u>	<u>(8,087)</u>	<u>180</u>	<u>35,854</u>
Unrestricted funds					
General funds	-	330	(109)	(257)	(36)
Total funds	<u>36,784</u>	<u>7,307</u>	<u>(8,196)</u>	<u>(77)</u>	<u>35,818</u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

18 Funds (Continued)

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

Restricted general fund

This fund represents grants received for the Academy's operational activities and development.

Fixed assets fund

These grants relate to funding from the DfE, ESFA and private sponsors to carry out works of a capital nature as part of the school improvement plan.

Other restricted funds

These funds relate to monies received from the local government, private sector and private sponsors to carry out works of a capital or revenue nature.

Unrestricted funds

This fund primarily relates to income from lettings and teaching school income.

The Academy trust is carrying a net deficit of £1,235,000 on restricted general funds (excluding pension reserve) plus unrestricted funds because funding fell short of our needs and expectations in this and previous years. The academy trust is taking action to return these funds to surplus with the addition of an extra form in year seven and as we welcome girls into our 6th form which became co-educational for the first time in September 2019. In addition to the above action the academy trust has also reviewed its staffing costs to find additional savings to return the funds to surplus following the impact of the loss of boarding income caused by the forced closure of the school in the year ended 31 August 2020.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

18 Funds (Continued)

Funds prior year

	Balance at 1 September 2018 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2019 £'000
Restricted general funds					
General Annual Grant (GAG)	(1,087)	4,725	(5,296)	13	(1,645)
Other DfE / ESFA grants	-	75	(75)	-	-
Other government grants	-	38	(38)	-	-
Boarding activities	877	1,770	(1,571)	-	1,076
Other restricted funds	-	350	(350)	-	-
Pension reserve	(1,960)	-	(338)	(820)	(3,118)
	<u>(2,170)</u>	<u>6,958</u>	<u>(7,668)</u>	<u>(807)</u>	<u>(3,687)</u>
Restricted fixed asset funds					
Transfer on conversion	38,903	-	-	-	38,903
DfE group capital grants	1,646	346	(445)	-	1,547
Private sector capital sponsorship	-	21	-	-	21
	<u>40,549</u>	<u>367</u>	<u>(445)</u>	<u>-</u>	<u>40,471</u>
Total restricted funds	<u>38,379</u>	<u>7,325</u>	<u>(8,113)</u>	<u>(807)</u>	<u>36,784</u>
Unrestricted funds					
General funds	-	13	-	(13)	-
Total funds	<u>38,379</u>	<u>7,338</u>	<u>(8,113)</u>	<u>(820)</u>	<u>36,784</u>

19 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total Funds £'000
Fund balances at 31 August 2020 are represented by:				
Tangible fixed assets	-	-	40,223	40,223
Current assets	108	1,056	251	1,415
Creditors falling due within one year	420	(2,255)	-	(1,835)
Creditors falling due after one year	(564)	-	-	(564)
Defined benefit pension liability	-	(3,421)	-	(3,421)
Total net assets	<u>(36)</u>	<u>(4,620)</u>	<u>40,474</u>	<u>35,818</u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

19 Analysis of net assets between funds (Continued)

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total Funds £'000
Fund balances at 31 August 2019 are represented by:				
Tangible fixed assets	-	-	40,535	40,535
Current assets	80	780	-	860
Creditors falling due within one year	(80)	(1,349)	(64)	(1,493)
Defined benefit pension liability	-	(3,118)	-	(3,118)
Total net assets	-	(3,687)	40,471	36,784

20 Commitments under operating leases

At 31 August 2020 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2020 £'000	2019 £'000
Amounts due within one year	8	8
Amounts due between one and five years	6	14
	14	22

21 Reconciliation of net expenditure to net cash flow from operating activities

	2020 £'000	2019 £'000
Net expenditure for the reporting period (as per the statement of financial activities)	(889)	(775)
Adjusted for:		
Capital grants from DfE and other capital income	(318)	(367)
Defined benefit pension scheme costs less contributions payable	172	288
Defined benefit pension scheme finance cost	54	50
Depreciation of tangible fixed assets	464	445
Movements in working capital:		
Decrease/(increase) in stocks	14	(3)
Decrease in debtors	11	1,472
Increase/(decrease) in creditors	342	(164)
Net cash (used in)/provided by operating activities	(150)	946

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

22 Analysis of changes in net funds

	1 September 2019 £'000	Cash flows £'000	31 August 2020 £'000
Cash	316	329	645
Loans falling due within one year	-	(564)	(564)
	<u>316</u>	<u>(235)</u>	<u>81</u>

23 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

24 Pension and similar obligations

The Academy Trust'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 Mercer. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £114,987 were payable to the schemes at 31 August 2020 (2019: £27,072) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 2014.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions along with those made by employers are credited to the Exchequer.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

24 Pension and similar obligations (Continued)

The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% (including a 0.08% administration levy) of pensionable pay from September 2019 onwards (compared to 16.48% during 2019/20).

The next valuation result is due to be implemented from 1 April 2023.

The employer's pension costs paid to the TPS in the period amounted to £617,086 (2019: £480,060).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £352,000 (2019: £322,000), of which employer's contributions totalled £282,000 (2019: £256,000) and employees' contributions totalled £70,000 (2019: £66,000). The agreed contribution rates for future years are 17.9% per cent for employers and between 5.5-12.5% per cent for employees

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

The past service cost recognised in the prior year relates to the effect of the McCloud judgement regarding age discrimination in respect of public service companies.

Total contributions made	2020 £'000	2019 £'000
Employer's contributions	282	256
Employees' contributions	70	66
	<hr/>	<hr/>
Total contributions	352	322
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LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

24 Pension and similar obligations (Continued)

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 August 2020 by a qualified independent actuary.

	2020 %	2019 %
Rate of increase in salaries	3.9	3.6
Rate of increase for pensions in payment/inflation	2.5	2.2
Discount rate for scheme liabilities	1.8	1.8
Inflation assumption (CPI)	2.4	2.1

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

	2020 Years	2019 Years
Retiring today		
- Males	22.3	22.8
- Females	25.0	25.5
Retiring in 20 years		
- Males	23.8	25.1
- Females	26.8	28.2

The Academy Trust's share of the assets in the scheme

	2020 Fair value £'000	2019 Fair value £'000
Equities	1,788	1,877
Other bonds	271	63
Cash/liquidity	71	71
Property	534	346
Other assets	1,259	1,572
Total fair value of assets	3,923	3,929

The actual return on scheme assets was £(279,000) (2019: £438,000).

Amount recognised in the Statement of Financial Activities

	2020 £'000	2019 £'000
Current service cost	447	329
Past service cost	-	210
Net interest cost	54	50
Administration expenses	7	5
Total operating charge	508	594

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

24 Pension and similar obligations (Continued)

Changes in the present value of defined benefit obligations	2020 £'000
At 1 September 2019	7,047
Current service cost	447
Interest cost	127
Employee contributions	70
Actuarial (gain)/loss	(275)
Benefits paid	(72)
At 31 August 2020	7,344

Changes in the fair value of the Academy Trust's share of scheme assets	2020 £'000
At 1 September 2019	3,929
Interest income	73
Return on plan assets (excluding net interest on the net defined pension liability)	(352)
Employer contributions	282
Employee contributions	70
Benefits paid	(72)
Effect of non-routine settlements	(7)
At 31 August 2020	3,923

25 Related party transactions

During the year, the Academy has had transactions with the LRGS Charity and the Friends of LRGS Charity. These amounts principally relate to donations received of £85,102 (2019: £165,964) and £14,992 (2019: £12,558) respectively. During the year there was also rent paid of £175,000 (2019: 175,000) to LRGS Charity. At the year end, the balance owing to the charity was a debtor of £120,681 (2019: £nil).

The LRGS charity is a connected charity whose objective is to assist the trustees of LRGS in promoting the education of pupils. The charity has total funds of £1,427,605 (2019: £1,366,691). Income of £380,124 (2019: £412,555) and expenditure of £319,210 (2019: £394,917) resulting in a net surplus of £60,914 (2019: £1,459).

26 Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2020 the trust received £13,291 (2019: £Nil) and disbursed £10,086 (2019: £Nil) from the fund. An amount of £3,205 (2019: £Nil) is included in other creditors relating to undistributed funds that is repayable to ESFA.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

27 Boarding activities trading account

	2020		2019	
	£'000	£'000	£'000	£'000
Direct income				
Fee income		1,183		1,735
Other income		8		35
		<u>1,191</u>		<u>1,770</u>
Total income		1,191		1,770
Other costs				
Support staff costs	525		769	
Rent and rates	278		296	
Catering	7		-	
Other support costs	431		506	
	<u>1,241</u>		<u>1,571</u>	
Total operating costs		(1,241)		(1,571)
Transfers between funds excluding depreciation		49		-
		<u>(1)</u>		<u>199</u>
(Deficit)/surplus from boarding activities		(1)		199
Boarding activities balances at 1 September 2019		1,076		877
Boarding activities balances at 31 August 2020		<u>1,075</u>		<u>1,076</u>

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO LANCASTER ROYAL GRAMMAR SCHOOL AND THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement in accordance with the terms of our engagement letter dated 8 July 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, to obtain limited assurance about whether the expenditure disbursed and income received by Lancaster Royal Grammar School during the period 1 September 2019 to 31 August 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Academies Accounts Direction 2019 to 2020 Annex B: Regularity Reporting. We are independent of Lancaster Royal Grammar School in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Lancaster Royal Grammar School's accounting officer and Trustees

The accounting officer is responsible, under the requirements of Lancaster Royal Grammar School's funding agreement with the Secretary of State for Education dated 1 September 2014 and the Academies Financial Handbook, extant from 1 September 2019, 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. The accounting officer is also responsible for preparing the Statement of Regularity, Propriety and Compliance. The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the proper conduct and financial operation of Lancaster Royal Grammar School and appointment of the accounting officer.

Reporting Accountant's responsibilities for reporting on regularity

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 2019 to 2020.

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 the procedures vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 September 2019 to 31 August 2020 have not been applied to purposes identified by Parliament or that the financial transactions do not conform to the authorities which govern them.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO LANCASTER ROYAL GRAMMAR SCHOOL AND THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the funding agreement with the Secretary of State for Education, the Academies Financial Handbook 2019 published by the Education and Skills Funding Agency and high level financial control areas where we identified a material risk of irregularity is likely to arise. It also included areas assessed as presenting a higher risk of impropriety. We undertook detailed testing, on a sample basis, based on the identified areas where a material irregularity is likely to arise, or potential impropriety where such areas are in respect of controls, policies and procedures that apply to classes of transactions. Our work was undertaken with due regard to the 'Evidence to support conclusion on regularity' guidance in Academies Accounts Direction 2019 to 2020.

This work was integrated with our audit on the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to Lancaster Royal Grammar School and the ESFA in accordance with the terms of our engagement letter dated 8 July 2019. Our work has been undertaken so that we might state to the Lancaster Royal Grammar School and the ESFA 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 Lancaster Royal Grammar School and the ESFA, for our work, for this report, or for the conclusion we have formed.



RSM UK Audit LLP

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Dated: 29 January 2021

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