

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 2017**

LANCASTER ROYAL GRAMMAR SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

Mr Michael Armer (*) (Appointed 16 December 2016)
Dr John Bentham (*)
Mr Roderick Burgess (*)
Mr Michael Burrow
Mr Douglas Cameron (*)
Mr Hugh Castle (Appointed 26 September 2016)
Mr Paul Fitton (*)
Professor Anthony Guénault (*)
Mr John Holland (Deceased 5 September 2016)
Mrs Ena Lund (*)
Mrs Gillian Manklow (*)
Mr Richard Mellon
Mr Andrew Neal
Mrs Wendy Preston
Dr Christopher Pyle
Mr Howard Roberts
Mr Kevin Roberts
Mr Andrew Royce
Mrs Margaret Sinclair
HHJ Phillip Sycamore (*)

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 (appointed 1 September 2016)
- Assistant Headteacher	Mr J Hallsworth
- Headteacher	Dr C Pyle
- Assistant Headteacher	Dr D Rowe
- Director of Finance and Support Services	Mr R Thomas
- Deputy Headteacher	Mr I Whitehouse

Company secretary Mr Richard Gittins

Company registration number 07469330 (England and Wales)

Registered office East Road
Lancaster
LA1 3EF

Independent auditor RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

LANCASTER ROYAL GRAMMAR SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

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 2016 to 31 August 2017. 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 1019 in the school census on 20 January 2017.

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, known as Lancaster Royal Grammar School (independent of Local Authority control). The Academy will provide secondary education predominantly for boys 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.

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. As there are only one or two new Trustees in any year, induction tends to be done informally and tailored to the specific individual.

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, 3 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.

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 21 in the financial statements.

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, and technological risks and the risks of school expansion. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to major risks.

OBJECTIVES AND ACTIVITIES

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 31 August 2017 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

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TRUSTEES REPORT (CONTINUED)

- to promote the development of individual skills in such areas as:
 1. the use of language;
 2. numeracy;
 3. reasoning;
 4. problem solving;
 5. scientific investigation;
 6. the expressive and creative arts;
 7. the use of information technology;
 8. interpersonal relationships, management, leadership and organisation;
 9. 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:
 1. fluent and accurate use of English and at least one other language;
 2. mathematical, scientific and technical methods;
 3. the appreciation of artistic, creative and aesthetic talents;
 4. the knowledge and understanding of mankind and the world in which we live;
 5. 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.

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.

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TRUSTEES REPORT (CONTINUED)

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 1,040 pupils aged from 11 to 18, including 165 boarders and a sixth form of around 300 pupils. It has increased its admission number for September 2017 to recruit 150 day pupils and 24 boarders into Year 7. Approximately 30-40 pupils join the sixth form each year.

2016-17 was another strong year for the academy's examination results. At A2, Students achieved A*, A or B grades in over 70% of all exams which they sat, 43.7% of those entered received grades of A* or A and 18.2% received the top A* grade.

GCSE results were also strong. New grading has been introduced for English and Mathematics examinations and now are numbered from 9 at the top to 1 at the bottom. A grade 9 is only given to the very best entries and 16% of all our entries achieved a grade 9 with 34.8% achieving either a grade 9 or grade 8 which is the equivalent to an A*. In other subjects our 150 day and boarding students gained A* grades in 38.6% of all examinations, and 66.4% of all results were graded A or A*.

The great majority of pupils proceeded to higher education and gained places on competitive university courses. Others gained places on competitive higher apprenticeships. Twelve students were successful in obtaining places at Oxford or Cambridge, one at RADA and one at Glasgow School of Art.

The boarding provision at the school has inspected by Ofsted between 24 and 26 January 2017 and was assessed as being outstanding in all categories.

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

Of particular note were the following:

- Rugby: The Under 15s were the winners of the Lancashire Cup and the First XV and Under 13s were finalists.
- The Rugby First XV captain also captained the Lancashire U18 and England Counties U18 teams.
- Rowers won events at the Northwich, Red Rose, Trafford and North of England heads and at the Lancaster City and Talkin Tarn regattas.
- Cricket: Under 13s and Under 16s won the Lancashire Schools Indoor Competition
- Gymnastics: A student represented Great Britain in the International Maia Acrobatics Competition in Portugal.
- Duke of Edinburgh's Award: Two students achieved Gold Awards
- Maths: Highest scoring team in the region at the National Final of the UKMT Team Maths Challenge.
- Maths: Four students represented the school at the national final of the British Maths Olympiad.
- Senior Quiz team: were runners up in the Senior Schools Challenge, losing by just one point.
- Joint musical production of Kiss Me Kate with Lancaster Girls' Grammar School
- CCF: Winners of the North West Brigade Cadet Skill at Arms Competition.
- Business Studies: Regional champions in the ICAEW Base Enterprise Competition and national winners of the Bank of England Challenge.
- Biology: Four students won Gold in British Biology Olympiad
- Technology: two teams won the Rotary Technology Competitions
- Physics: Three students were awarded Gold in the British Physics Olympiad.
- Linguistics: Two students were awarded Gold in the British Linguistics Olympiad.
- English: Winner of the Ebor Essay prize on religion in the public sphere.
- Accelerated Reader: LRGs won "Top performing secondary school in England" for the implementation of the accelerated reader programme.
- Geography: Winner in the National Photo Competition for physical geography.
- Pupils raised over £19,000 for charity.

LANCASTER ROYAL GRAMMAR SCHOOL

TRUSTEES REPORT (CONTINUED)

Financial review

The majority of the Academy's income is derived from the Education Funding Agency (EFA) 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 reduced funding for the provision of 6th Form education whilst at the same time salaries and employment costs increased without any matched increase in funding.

The Lancaster Royal Grammar School Charity (Charity number 526602) gave donations during the accounting year to the Academy of £33,598 for the school's outreach programme. Friends of LRGS made donations of £5,840 for the purchase of equipment for a number of small projects.

At 31 August 2017 the net book value of fixed assets was £38,548,000 (2016: £38,527,000) 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.

Financial and risk management objectives and policies

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.

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 Funding Agency (EFA) 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.

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. The main current account held by the Academy is an interest bearing account.

Key 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.

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.

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 it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Plans for future periods

The Government have indicated that there will be a move towards a National Funding Formula which will increase the funding per pupil. However this will not be fully implemented until 2020/21, in the meantime school grants will continue to be paid through Lancashire County Council. The methodology that the Council will use is currently subject to consultation and will not be finalised until spring 2018. This poses a major challenge for the academy if it is to deliver the same breadth of curriculum.

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TRUSTEES REPORT (CONTINUED)

The school is expanding with the addition of a new form in Year 7 commencing in September 2017. The funding for the expanded number of pupils on the roll is lagged by one year but will bring financial benefits to the academy. The school has also started consultation on changes to its admissions policy to admit girls to the sixth form with effect from September 2019.

Funding from EFAs Capital Improvement Fund is continuing to fund renovation and renewal works in buildings throughout the school estate and has included the installation of new energy efficient heating systems. Some of this work needed to comply with the local Conservation Plan given the historic nature of those buildings. The academy will 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.

The academy has been selected for funding through EFAs Priorities Schools Building Programme 2 which funds major building projects to meet the needs of the academy. Detailed discussions are taking place with EFA to determine the exact scope of the works and we are in continued discussions to obtain a final agreement that will allow the work to commence.

Principal risks and uncertainties

Risks are prioritised using a consistent scoring system. The risks to the Academy are those of sufficient funding being available to continue the operation.

In common with other state boarding schools, the principal risks and uncertainties of the Academy are:

- the availability of sufficient educational funding when reserves are at a very low level
- reductions in 6th Form and other EFA 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 deficit on the Local Government Pension Scheme
- the increasing maintenance requirements of the property estate
- the uncertainty of boarding revenues from year to year
- the uncertainty of how to fund improvements in the academy's boarding provision

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

The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order 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 15 December 2017 and signed on its behalf by:

Mrs Gillian Manklow
Chair of Trustees

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.

The board of Trustees has delegated the day-to-day responsibility to the Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between 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 3 times during the year. Meetings were attended by 79% of eligible Trustees.

- Mr J Holland died on 5 September 2016
- Mr H Castle was appointed as a Staff Governor on 26 September 2016
- Mr M Armer was appointed on 16 December 2016

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 75% 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 87% 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. Two meetings were held during the year. These were attended by 79% 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. Two meetings were held during the year. These were attended by 100% 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. Two meetings were held during the year. These were attended by 100% 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. Three meetings were held during the year. These were attended by 74% of eligible committee members.

The boarding committee is a sub-committee of the main body of Trustees. It is responsible for monitoring the boarding quality, standards and practice, and developing and evaluating strategic priorities for boarding are the main responsibilities of the new committee. Three meetings were held during the year and these were attended by 83% of the eligible committee members.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

Attendance during the year at meetings of the board of Trustees and sub-committee meetings was as follows:

Governor	Governing Body		Finance Ctte		Audit Ctte		Properties Ctte	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
Mr M Armer	2	2	2	2				
Dr J Bentham	2	3					1	2
Mr R Burgess	3	3						
Mr M Burrow	1	3			2	3		
Mr D Cameron	3	3	1	3				1
Mr H Castle	3	3	2	3				
Mr P Fitton	2	3	2	3			1	2
Prof A Guenault	2	3						
Mrs E Lund	2	3	1	3			2	2
Mrs G Manklow	3	3	3	3			2	2
Mr R Mellon	3	3	3	3			1	2
Mr A Neal	2	3			3	3		
Mrs W Preston	3	3			3	3	2	2
Dr C Pyle	3	3	3	3	2	3	2	2
Mr H Roberts	3	3	2	3			2	2
Mr K Roberts		3						
Mr A Royce	3	3	2	3			2	2
Mrs M Sinclair	2	3	3	3				
HHJ P Sycamore	2	3			3	3		
Total	44	56	24	32	13	15	15	19
% attendance	79%		75%		87%		79%	

Governor	Personnel Ctte		Pay Ctte		Curriculum Ctte		Boarding Ctte	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
Mr M Armer								
Dr J Bentham					1	3		
Mr R Burgess			2	2			2	3
Mr M Burrow					1	3		
Mr D Cameron					2	3	3	3
Mr H Castle	2	2			2	3		
Mr P Fitton			2	2			3	3
Prof A Guenault	2	2	2	2	3	3		
Mrs E Lund								
Mrs G Manklow	2	2	2	2	3	3	3	3
Mr R Mellon					2	3	1	3
Mr A Neal								
Mrs W Preston	2	2			3	3	3	3
Dr C Pyle	2	2			3	3	3	3
Mr H Roberts							3	3
Mr K Roberts								
Mr A Royce								
Mrs M Sinclair	2	2					3	3
HHJ P Sycamore							1	3
Total	12	12	8	8	20	27	25	30
% attendance	100%		100%		74%		83%	

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

There was a reduction in the average number of staff employed. The structure of the senior management team was reviewed and this led to a reduction of one member of staff within the management team. 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:

A capital project to replace some very old oil fired boilers and control systems took place over the summer of 2017 with final completion in October 2017. This will deliver environmental benefits through the reduction in energy used but with improved heating in the building.

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.

We also collaborated with the same school to obtain better prices for consumable items such as copier paper.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

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.

During school holidays the boarding facilities are used as holiday lets to community groups and for activities such as sports training camps. We have increased the occupancy rates with increased awareness of the facilities that are available and recommendations made by groups who have made regular use of our accommodation.

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 on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lancaster Royal Grammar School for the year ended 31 August 2017 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 period 1 September 2016 to 31 August 2017 and up to the date of 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 the board of Trustees;
- regular reviews by the finance and general purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing guidelines;
- delegation of authority 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. With effect from 1st September 2014 the Trustees have appointed RSM UK Audit LLP as Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. The RO reports to the board of Trustees on the operation of the systems of control and on the discharge of the board of Trustees' financial responsibilities. The RO has delivered two reports in the year with no material control issues identified.

LANCASTER ROYAL GRAMMAR SCHOOL

GOVERNANCE STATEMENT (CONTINUED)

The Academy is following the directives of the Academies Financial Handbook as published by the EFA.

Review of effectiveness

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

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

Approved by order of the members of the board of Trustees on the 15 December 2017 and signed on its behalf by:

.....
Mrs Gillian Manklow
Chair of Trustees

.....
Dr Christopher Pyle
Accounting Officer

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 funding, 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 2016.

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 2016.

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

15 December 2017

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 Annual Accounts Direction issued 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 Lancaster Royal Grammar School 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 2015 and the Academies Accounts Direction 2016 to 2017;
- 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 15 December 2017 and signed on its behalf by:

.....
Mrs Gillian Manklow
Chair of Trustees

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

Opinion on financial statements

We have audited the financial statements of Lancaster Royal Grammar School (the "academy trust") for the year ended 31 August 2017 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 2016 to 2017 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 2017 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 2016 to 2017 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.

Opinion on other matter 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 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 by the charitable company, 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 15, the Trustees (who act as trustees for the charitable activities of the charitable company, and 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.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and 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
18 December 2017

LANCASTER ROYAL GRAMMAR SCHOOL

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2017 £'000	Total 2016 £'000
Income and endowments from:						
Donations and capital grants	4	-	206	512	718	191
Charitable activities:						
- Funding for educational operations	5	-	4,783	-	4,783	4,910
- Funding for boarding activities	22	-	1,751	-	1,751	1,645
Other trading activities	6	1	110	-	111	173
Total		<u>1</u>	<u>6,850</u>	<u>512</u>	<u>7,363</u>	<u>6,919</u>
Expenditure on:						
Charitable activities:						
- Educational operations	8	-	5,544	386	5,930	5,780
- Boarding activities	22	-	1,532	-	1,532	1,484
Total	7	<u>-</u>	<u>7,076</u>	<u>386</u>	<u>7,462</u>	<u>7,264</u>
Net income/(expenditure)		1	(226)	126	(99)	(345)
Transfers between funds		(1)	1	-	-	-
Other recognised gains/(losses)						
Actuarial gains/(losses) on defined benefit pension schemes	20	-	397	-	397	(927)
Net movement in funds		-	172	126	298	(1,272)
Reconciliation of funds						
Total funds brought forward		-	(2,514)	38,606	36,092	37,364
Total funds carried forward		-	(2,342)	38,732	36,390	36,092

LANCASTER ROYAL GRAMMAR SCHOOL

BALANCE SHEET

AS AT 31 AUGUST 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12		38,548		38,527
Current assets					
Stocks	13	13		14	
Debtors	14	947		742	
Cash at bank and in hand		413		361	
			1,373		1,117
Current liabilities					
Creditors: amounts falling due within one year	15	(1,166)		(975)	
Net current assets			207		142
Net assets excluding pension liability			38,755		38,669
Defined benefit pension scheme liability	20		(2,365)		(2,577)
Net assets			36,390		36,092
Funds of the Academy Trust:					
Restricted funds	16				
- Restricted fixed asset funds			38,732		38,606
- Restricted income funds			23		63
- Pension reserve			(2,365)		(2,577)
Total restricted funds			36,390		36,092
Unrestricted income funds	16		-		-
Total funds			36,390		36,092

The financial statements on pages 18 to 37 were approved by the board of Trustees and authorised for issue on 15 December 2017 and are signed on their behalf by:

Mrs Gillian Manklow

*

LANCASTER ROYAL GRAMMAR SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £'000	£'000	2016 £'000	£'000
Cash flows from operating activities					
Net cash provided by (used in) operating activities	18		(54)		96
Cash flows from investing activities					
Capital grants from DfE and ESFA		512		42	
Capital funding from sponsors and others		-		28	
Purchase of tangible fixed assets		(406)		(312)	
Net cash provided by/(used in) investing activities			106		(242)
Net increase/(decrease) in cash and cash equivalents in the reporting period			52		(146)
Cash and cash equivalents at beginning of the year			361		507
Cash and cash equivalents at end of the year			413		361

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

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 2016 to 2017 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 Trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting 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.

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.

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.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies (Continued)

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.

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.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies (Continued)

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

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

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 payable under operating leases are charged against income on a straight line basis over the period of the lease.

Financial instruments

The Academy Trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies (Continued)

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.

Stock

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

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.

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 a multi-employer scheme but there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are 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.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies (Continued)

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund accounting

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

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.

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 20, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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.

3 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy Trust was subject to limits at 31 August 2017 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 2017.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

4 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Private sponsorship	-	34	34	32
Capital grants	-	512	512	42
Other donations	-	172	172	117
	<u>-</u>	<u>718</u>	<u>718</u>	<u>191</u>
	<u>-</u>	<u>718</u>	<u>718</u>	<u>191</u>

The income from donations and capital grants was £718,000 (2016: £191,000) of which £206,000 was restricted (2016: £121,000) and £512,000 was restricted fixed assets (2016: £70,000).

5 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
DfE / ESFA grants				
General annual grant (GAG)	-	4,714	4,714	4,846
Other DfE / ESFA grants	-	69	69	64
	<u>-</u>	<u>4,783</u>	<u>4,783</u>	<u>4,910</u>
	<u>-</u>	<u>4,783</u>	<u>4,783</u>	<u>4,910</u>

The income from funding for educational operations was £4,783,000 (2016: £4,910,000) of which £4,783,000 was restricted (2016: £4,910,000).

6 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Hire of facilities	-	31	31	2
Other income	1	79	80	171
	<u>1</u>	<u>110</u>	<u>111</u>	<u>173</u>
	<u>1</u>	<u>110</u>	<u>111</u>	<u>173</u>

The income from other trading activities was £111,000 (2016: £173,000) of which £1,000 was unrestricted (2016: £95,000) and £110,000 was restricted (2016: £78,000).

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

7 Expenditure

	Staff costs £'000	Non Pay Expenditure Premises £'000	Other £'000	Total 2017 £'000	Total 2016 £'000
Academy's educational operations					
- Direct costs	3,840	334	294	4,468	4,495
- Allocated support costs	621	540	301	1,462	1,285
Boarding activities					
- Allocated support costs	731	324	477	1,532	1,484
	<u>5,192</u>	<u>1,198</u>	<u>1,072</u>	<u>7,462</u>	<u>7,264</u>

Net income/(expenditure) for the year includes:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets	386	367
Net interest on defined benefit pension liability	52	57
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
- Audit	9	8
- Other services	3	2
	<u>9</u>	<u>10</u>

8 Charitable activities

	2017 £'000	2016 £'000
All from restricted funds:		
Direct costs - educational operations	4,468	4,495
Support costs - educational operations	1,462	1,285
Support costs - boarding activities	1,532	1,484
	<u>7,462</u>	<u>7,264</u>

The expenditure on educational operations was £5,930,000 (2016: £5,780,000) of which £5,544,000 was restricted (2016: £5,413,000) and £386,000 was restricted fixed assets (2016: £367,000).

The expenditure on boarding activities was £1,532,000 (2016: £1,484,000) of which £1,532,000 was restricted (2016: £1,484,000).

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

8 Charitable activities (Continued)

	Boarding £'000	Educational operations £'000	Total 2017 £'000	Total 2016 £'000
Analysis of support costs				
Support staff costs	731	621	1,352	1,235
Depreciation and amortisation	-	52	52	33
Premises costs	324	438	762	690
Other support costs	477	305	782	763
Governance costs	-	46	46	48
	<u>1,532</u>	<u>1,462</u>	<u>2,994</u>	<u>2,769</u>

9 Staff

Staff costs

Staff costs during the year were:

	2017 £'000	2016 £'000
Wages and salaries	4,017	4,127
Social security costs	387	316
Operating costs of defined benefit pension schemes	726	608
	<u>5,130</u>	<u>5,051</u>
Total staff costs	5,130	5,051
Supply staff costs	36	31
Staff development and other staff costs	26	39
	<u>5,192</u>	<u>5,121</u>

Staff numbers

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

	2017 Number	2016 Number
Teachers	76	74
Administration and support	68	74
Management	7	8
	<u>151</u>	<u>156</u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

9 Staff (Continued)

Higher paid staff

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

	2017 Number	2016 Number
£60,000 - £70,000	2	2
£90,000 - £100,000	1	1
	====	====

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 £568,786 (2016: £597,665).

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.

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

Dr C Pyle (Headteacher and Trustee)

Remuneration £90,000 - £95,000 (2016: £85,000 - £90,000)

Employers pension contributions £15,000 - £20,000 (2016: £10,000 - £15,000)

Mrs M Sinclair (Staff Trustee)

Remuneration £25,000 - £30,000 (2016: £30,000 - £35,000)

Employers pension contributions £0 - £5,000 (2016: £0 - £5,000)

Mr R Mellon (Staff Trustee)

Remuneration £50,000 - £55,000 (2016: £45,000 - £50,000)

Employers pension contributions £5,000 - £10,000 (2016: £5,000 - £10,000)

Mr H Castle (appointed 26 September 2016)

Remuneration £45,000 - £50,000

Employers pension contributions £5,000 - £10,000

Mr R Furlong Brown (Staff Trustee)

Remuneration £Nil (2016: £25,000 - £30,000)

Employers pension contributions £Nil (2016: £Nil)

During the period ended 31 August 2017, travel and subsistence expenses totalling £nil (2016: £nil) were reimbursed to governors.

Other related party transactions involving the Trustees are set out in note 21.

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

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 2017 was £1,316 (2016: £1,310). 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 2016	40,192	3	32	89	1	40,317
Additions	321	-	13	66	6	406
At 31 August 2017	40,513	3	45	155	7	40,723
Depreciation						
At 1 September 2016	1,721	-	15	54	-	1,790
Charge for the year	335	1	13	35	1	385
At 31 August 2017	2,056	1	28	89	1	2,175
Net book value						
At 31 August 2017	38,457	2	17	66	6	38,548
At 31 August 2016	38,471	3	17	35	1	38,527

13 Stocks

	2017 £'000	2016 £'000
Fuel	-	4
Educational stationary	13	10
	13	14

14 Debtors

	2017 £'000	2016 £'000
Trade debtors	229	234
VAT recoverable	123	13
Other debtors	467	384
Prepayments and accrued income	128	111
	947	742

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

15 Creditors: amounts falling due within one year				2017	2016
				£'000	£'000
Trade creditors				593	430
Other taxation and social security				100	97
Other creditors				297	269
Accruals and deferred income				176	179
				<u>1,166</u>	<u>975</u>
				<u><u>1,166</u></u>	<u><u>975</u></u>
16 Funds					
	Balance at			Gains,	Balance at
	1 September	Income	Expenditure	losses and	31 August
	2016	£'000	£'000	transfers	2017
	£'000	£'000	£'000	£'000	£'000
Restricted general funds					
General Annual Grant	(279)	4,714	(5,023)	1	(587)
Other DfE / ESFA grants	-	69	(69)	-	-
Boarding activities	342	1,751	(1,532)	-	561
Other restricted funds	-	316	(267)	-	49
Pension reserve	(2,577)	-	(185)	397	(2,365)
	<u>(2,514)</u>	<u>6,850</u>	<u>(7,076)</u>	<u>398</u>	<u>(2,342)</u>
	<u><u>(2,514)</u></u>	<u><u>6,850</u></u>	<u><u>(7,076)</u></u>	<u><u>398</u></u>	<u><u>(2,342)</u></u>
Restricted fixed asset funds					
Transferred on conversion	38,903	-	-	-	38,903
DfE / ESFA capital grants	(325)	512	(386)	28	(171)
Private sector capital sponsorship	28	-	-	(28)	-
	<u>38,606</u>	<u>512</u>	<u>(386)</u>	<u>-</u>	<u>38,732</u>
	<u><u>38,606</u></u>	<u><u>512</u></u>	<u><u>(386)</u></u>	<u><u>-</u></u>	<u><u>38,732</u></u>
Total restricted funds	<u><u>36,092</u></u>	<u><u>7,362</u></u>	<u><u>(7,462)</u></u>	<u><u>398</u></u>	<u><u>36,390</u></u>
Unrestricted funds					
General funds	-	1	-	(1)	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>(1)</u></u>	<u><u>-</u></u>
Total funds	<u><u>36,092</u></u>	<u><u>7,363</u></u>	<u><u>(7,462)</u></u>	<u><u>397</u></u>	<u><u>36,390</u></u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

16 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, EFA 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.

Funds prior year

	Balance at 1 September 2015 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2016 £'000
Restricted general funds					
General Annual Grant	(39)	4,846	(5,181)	95	(279)
Other DfE / ESFA grants	-	64	(64)	-	-
Boarding activities	181	1,645	(1,484)	-	342
Other restricted funds	(123)	199	(76)	-	-
Pension reserve	(1,558)	-	(92)	(927)	(2,577)
	<u>(1,539)</u>	<u>6,754</u>	<u>(6,897)</u>	<u>(832)</u>	<u>(2,514)</u>
Restricted fixed asset funds					
Transferred on conversion	38,903	-	-	-	38,903
DfE / ESFA capital grants	-	42	(367)	-	(325)
Private sector capital sponsorship	-	28	-	-	28
	<u>38,903</u>	<u>70</u>	<u>(367)</u>	<u>-</u>	<u>38,606</u>
Total restricted funds	<u>37,364</u>	<u>6,824</u>	<u>(7,264)</u>	<u>(832)</u>	<u>36,092</u>
Unrestricted funds					
General funds	-	95	-	(95)	-
	<u>-</u>	<u>95</u>	<u>-</u>	<u>(95)</u>	<u>-</u>
Total funds	<u>37,364</u>	<u>6,919</u>	<u>(7,264)</u>	<u>(927)</u>	<u>36,092</u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

17 Analysis of net assets between funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£'000	£'000	£'000	£'000
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	-	-	38,548	38,548
Current assets	-	1,189	184	1,373
Creditors falling due within one year	-	(1,166)	-	(1,166)
Defined benefit pension scheme liability	-	(2,365)	-	(2,365)
Total net assets	-	(2,342)	38,732	36,390

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£'000	£'000	£'000	£'000
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	-	-	38,527	38,527
Current assets	-	1,038	79	1,117
Creditors falling due within one year	-	(975)	-	(975)
Defined benefit pension scheme liability	-	(2,577)	-	(2,577)
Total net assets	-	(2,514)	38,606	36,092

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

	2017 £'000	2016 £'000
Net expenditure for the reporting period (as per the statement of financial activities)	(99)	(345)
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(512)	(70)
Defined benefit pension scheme cost less contributions payable	133	35
Defined benefit pension scheme finance cost	52	57
Depreciation of tangible fixed assets	385	367
Movements in working capital:		
Decrease/(increase) in stocks	1	(3)
(Increase)/decrease in debtors	(205)	73
Increase/(decrease) in creditors	191	(18)
Net cash used in operating activities	(54)	96

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

19 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.

20 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 2012, and that of the LGPS related to the period ended 31 March 2013.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, 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. 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 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published in June 2014.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to the TPS in the period amounted to £593,511 (2016: £527,797).

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

20 Pension and similar obligations (Continued)

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 scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are % for employers and % 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.

Total contributions made	2017	2016
	£'000	£'000
Employer's contributions	237	225
Employees' contributions	66	64
	<u> </u>	<u> </u>
Total contributions	303	289
	<u> </u>	<u> </u>

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 August 2017 by a qualified independent actuary.

	2017	2016
	%	%
Rate of increases in salaries	3.7	3.3
Rate of increase for pensions in payment/inflation	2.2	1.9
Discount rate for scheme liabilities	2.4	2.1
Inflation assumption (CPI)	2.2	1.8
	<u> </u>	<u> </u>

The assumed life expectations on retirement age 65 are:

	2017	2016
	Years	Years
Retiring today		
- Males	22.6	23.0
- Females	25.2	25.6
Retiring in 20 years		
- Males	24.9	25.2
- Females	27.9	27.9
	<u> </u>	<u> </u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

20 Pension and similar obligations (Continued)

The Academy Trust's share of the assets in the scheme	2017 Fair value £'000	2016 Fair value £'000
Equities	1,235	1,051
Other bonds	65	68
Government bonds	54	-
Cash/liquidity	130	95
Property	293	259
Other assets	1,039	1,250
	<u>2,816</u>	<u>2,723</u>

The actual return on scheme assets was £109,000 (2016: £523,000).

Amount recognised in the statement of financial activities	2017 £'000	2016 £'000
Current service cost	365	256
Net interest cost	52	57
Plan introductions, changes, gain/(loss) on curtailment and gain/(loss) on settlement	5	4
	<u>422</u>	<u>317</u>

Changes in the present value of defined benefit obligations	2017 £'000
At 1 September 2016	5,300
Current service cost	365
Interest cost	111
Employee contributions	66
Actuarial gain	(565)
Benefits paid	(96)
	<u>5,181</u>
At 31 August 2017	<u>5,181</u>

LANCASTER ROYAL GRAMMAR SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

20 Pension and similar obligations (Continued)

Changes in the fair value of the Academy Trust's share of scheme assets	2017 £'000
At 1 September 2016	2,723
Interest income	59
Return on plan assets (excluding net interest on the net defined pension liability)	(168)
Employer contributions	237
Employee contributions	66
Benefits paid	(96)
Plan introductions, benefit changes, curtailments and settlements	(5)
	<u> </u>
At 31 August 2017	<u>2,816</u>

21 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 £149,288 and £5,840 respectively.

22 Boarding activities trading account	2017		2016	
	£'000	£'000	£'000	£'000
Direct income				
Fee income		1,716		1,609
Other income		35		36
		<u>1,751</u>		<u>1,645</u>
		1,751		1,645
Other costs				
Support staff costs	731		726	
Rent and rates	324		312	
Other support costs	477		446	
	<u>1,532</u>		<u>1,484</u>	
Total expenditure		(1,532)		(1,484)
Surplus/(deficit) from all sources		219		161
Boarding activities balances at 1 September 2016		342		181
Boarding activities balances at 31 August 2017		<u>561</u>		<u>342</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 17 October 2017 and further to the requirements of the Education and Skills Funding Agency ("ESFA") as included in the Academies Accounts Direction 2016 to 2017, to obtain limited assurance about whether the expenditure disbursed and income received by Lancaster Royal Grammar School during the period 1 September 2016 to 31 August 2017 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 2016 to 31 August 2017 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 2016 to 2017 Part 9: 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 2016, 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 2016 to 2017.

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 2016 to 31 August 2017 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 2016 published by the Education and Skills Funding Agency and high level financial control areas where we identified a material 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 2016 to 2017.

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.

This report is made solely to Lancaster Royal Grammar School and the ESFA in accordance with the terms of our engagement letter dated 17 October 2017. 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 the Lancaster Royal Grammar School and the ESFA, for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP
Chartered accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

Dated: 18 December 2017
