

Registered number: 09250153 (England & Wales)

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
(A Company Limited by Guarantee)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**REFERENCE AND ADMINISTRATIVE DETAILS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**Members**

P. Hill  
M. R. White  
P. Freeth

**Governors**

Gurinder Atwal  
Steve Bunn  
Mark Heywood  
Peter Hill, Chair  
Linda Lang  
Neil Lloyd  
Cherry Reynolds  
Jas Kaur Tawana  
Steve Hawke  
Lukasz Rzeczkowski (appointed 1 July 2018)

**Company registered number**

09250153

**Company name**

The Royal School, Wolverhampton

**Principal and registered office**

Penn Road  
Wolverhampton  
West Midlands  
WV3 0EG

**Senior management team**

M. Heywood, Principal  
J. Phillips, Director of finance & services  
L. Hale, Vice Principal  
C. Byrne, Vice Principal  
M. Mitchell, Primary Headteacher  
K. Jefferson, Deputy Primary Headteacher  
C. Brammal, Assistant Vice Principal  
J. Hodgson, Director of Communications

**Independent auditor**

Crowe U.K. LLP  
Black Country House  
Rounds Green Road  
Oldbury  
West Midlands  
B69 2DG

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE FREE SCHOOL, ITS GOVERNORS AND  
ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**Advisers (continued)**

**Bankers**

Barclays Bank PLC  
Queen Square  
Wolverhampton  
West Midlands  
WV1 1DS

**Solicitors**

Veale Wasbrough Vizards LLP  
Narrow Quay House  
Narrow Quay  
Bristol  
BS1 4QA

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**GOVERNORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a Governors' report, and a Directors' report under company law.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **CONSTITUTION**

The academy is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The Governors of The Royal School, Wolverhampton are also the Directors of the charitable company for the purpose of company law.

Details of the Governors who served during the period are included in the Reference and administrative details on page 1.

### **MEMBERS' LIABILITY**

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

### **GOVERNORS' INDEMNITIES**

Governors benefit from indemnity insurance to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust.

### **METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS**

The Members may appoint up to 6 Governors. The total number of Governors who are employees of the trust, must not exceed one third of the total number of Governors.

A Skills audit of Governors, based on that recommended by the National Governors Association, is carried out to ensure Board skills remain appropriate and it is used when recruiting Governors.

A minimum of 2 Parent Governors are elected by parents of registered pupils of the school. A parent governor must be the parent of pupil registered at the school at the time of their election. Elections for 2 Parent Governors will take place in the first term of next academic year, now that the governance process and data provision are well-established.

The Governors may appoint up to a maximum of 4 co-opted Governors.

The Principal is a Governor, having stated he wishes to be and the appointment was approved by an ordinary resolution of the Members.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS**

All Governors are inducted formally into the Governing Body and receive a welcome pack containing all the relevant documents needed to know the school. New Governors are 'buddied' up with existing experienced Governors who can provide support and help with any gaps in knowledge.

Governors keep abreast of national governance developments through automatic membership of the National Governors Association (NGA). All Governors are provided with membership to the NGA and should receive a weekly email containing the most relevant information and issues regarding governance.

Training is also provided through Sandwell Inspired Partnerships (SIPS) who clerk the Governor meetings. A termly programme of Governor training is available covering the wide range of issues concerning school and Governor responsibilities.

A day of strategic planning and training for Governors and the SLT is carried out annually. Previously it has focussed on achieving outstanding governance and on the future strategic options for the School in the light of the local, regional and national agendas for MAT formation and the future direction of Free Schools. This year's included Board preparation for an Ofsted inspection and on developments generally on Free Schools.

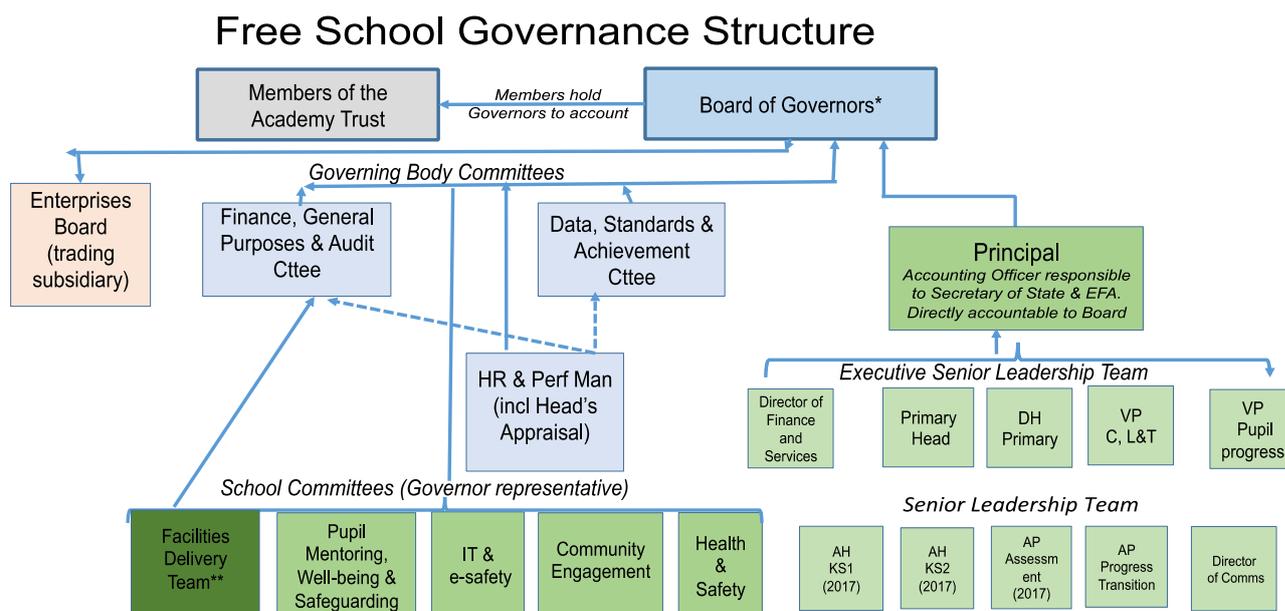
The Chairman and the Vice-Principal responsible for Boarding attended a State Boarding Association Summer Conference, which focussed on safeguarding, developments in State Boarding and fundraising.

Prior to each Data, Standards and Achievement Committee meeting there is also a training session covering key priorities such as interpreting and evaluating school and national data. The priorities are decided between Governors and Senior Leadership Team (SLT).

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

**ORGANISATIONAL STRUCTURE**



\*Admissions Committee and Appeals Committee identified from the Board and convened as required.

\*\* Facilities Delivery Team with governor representation for duration of the capital build.

**Review of committees and delegation**

The governing board reviews the establishment, terms of reference, constitution and membership of any committee annually. In addition, the governing board reviews the delegation of functions to committees and individuals annually.

**Terms of Reference**

1. To hold at least four Full Board meetings a year and approve the school's annual published cycle for decision making
2. To hold an annual Strategic Planning Session, in co-ordination with the Senior Leadership Team, setting the strategic vision and aims for the coming year, approving the School Development and Improvement Plan and establishing Key Performance Indicators/Targets and reporting milestones (both academic and financial) to ensure that RSW, as a Free School, delivers against these, and that the school is effectively held to account
3. As part of the above, ensuring that strategy is shared with key stakeholders, and that Governors are properly accountable to pupils and parents for the impact of their strategy
4. To agree constitutional matters, including procedures where the Governing Board has discretion
5. To keep under review on an annual basis the most effective way of managing the business of Governance, including the committees of the Governing Board, their membership and Chair, terms of

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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reference and areas of delegation (including the process for determining whether any further action by the GB is required); and publishing the annual meeting cycle/programme of business to support informed decision making and ensure statutory compliance.

6. To appoint (or remove) the Chair and Vice Chair, the former on an annual basis, and keep under review the effectiveness of Clerking, in enabling Governors to fully discharge their legal and fiduciary duties
7. To keep under review and approve key RSW Free School policies and their practice as determined from time to time by the GB, but to include Safeguarding, RSW's Health and Safety Policy, Risk Management Strategy, RSW's overall Pay Policy and its Performance Review and Development Policy (PRDP);
8. To receive an annual report on the performance of the Principal and the Head of the Primary through the PRDP and, as part of the normal cycle of events, responsibility for the appointment, remuneration, and/or dismissal of the same
9. To approve the school's budget, and to ensure that there are robust operational controls in place at all times for all financial processes within the Free School, and consider budgetary control reports from the FGP and Audit Committee at every meeting, with relevant explanations of any variances and documentation, as required
10. To oversee the latest financial statements as presented by the FGPA at each of its meetings
11. To establish and keep under annual review the Scheme of Financial Delegation, to include:
  - Determining levels of expenditure to be approved by the GB itself (e.g. committing to contracts over certain values), and levels to be delegated
  - Approving transfers between budgets over certain limits #
  - Approving specific accommodation proposals, particularly during the period when major capital works are being undertaken by the EFA
  - Approving any significant change to the staffing establishment/structure
12. To ensure that audit arrangements for RSW as a Free School and, separately, its trading subsidiary RWS Enterprises Ltd. reflect best financial and accounting practice, including the appointment of and receipt of reports from the external auditors, approval of the audited financial statements and Annual Report prior to their submission to Companies House and the SOS
13. As part of the above, to appoint, determine the programme for and maintain oversight of the reports on and actions resulting from the work of the internal auditor, on the use of resources, systems of internal financial control, and discharge of financial responsibilities; ensuring that this externally sourced programme of work has a specific focus on potential areas of risk, including but not limited to the full separation of boarding costs from those which are met through the Funding Agreement, and the transparency of operations of RSW's on-going Trading Subsidiary
14. To ensure that the GB keeps under regular review the impact of its work; has the necessary skills and expertise available, through a managed programme of recruitment, training and succession planning; and that all Governors adhere to its Code of Practice and specification for the role and conduct of Governors, as amended from time to time, and the Seven Principles of Public Life
15. The above to include maintaining an up to date Register of Business Interests and Related Party Transactions for all governors, and those Free School staff with financial responsibilities and adhering to the Free School's Conflict of Interest Policy

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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The Chair of the GB, who is permitted under the Articles to serve as a Member from time to time and does so currently, has a responsibility to ensure Members are kept abreast of relevant developments, and can attend a meeting at least annually to challenge the Board on the impact of its stewardship, and on how the ethos is being delivered.

**Committees**

1. To operate solely within the TOR and delegations, as agreed by the Governing Board on an annual basis, ensuring that papers are available at least a week in advance of the meeting and stored on the confidential Governor portal; with a record of the meeting, highlighting any key actions/recommendations available to each meeting of the GB
2. To ensure each Committee agrees its work priorities and their programming for the forthcoming year, at its first meeting of the academic year, having due regard to the annual cycle of meetings and the timing of key decisions and/or areas of compliance
3. The quorum for each Governor-led committee is fixed at 2 governors who are members of that committee
4. Only governors who are members of the committee may vote at committee meetings. Where necessary, the elected Chair of the committee has a second or casting vote
5. The Principal and GB Chair are ex-officio members of each committee
6. Extraordinary decisions, where necessary, to be taken by a majority of committee members through written correspondence, either physical or electronic, or by the Governing Board Chair's action in consultation with the Principal and Chair of that Committee
7. Notwithstanding the delegated powers given to a committee, the GB may at any time call for a key matter still under discussion to be referred to it for decision

The governing board cannot delegate any functions relating to:

- The constitution of the governing board (unless otherwise provided by the constitution regulations),
- The appointment or removal of the chair and vice chair/clerk,
- The appointment or removal of governors,
- The suspension of governors,
- The delegation of functions and establishment of committees,
- Change of school name or status,
- Salary range for the Principal/Vice Principals.

There are 2 key committees of the Governing Board:

Finance, General Purposes and Audit (FGPA)  
Data, Standards and Achievement (DSA)

A third Governor led committee, the HR and Performance Management Committee, reports formally through the DSA but submits recommendations that have financial or strategic policy implications either through the mediation of the FGPA or directly to the GB.

The Admissions Committee, meets at least once a year and, as required.

The Appeals Committee is convened from the GB, as required.

There are, additionally, 4 school based working groups chaired by an executive lead, each of which includes

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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Governor representation during the period of transition, as the Free School vision and strategic aims are implemented. The strategy will be reviewed annually thereafter:

- Pupil Mentoring, Well-being and Safeguarding
- IT and E-Safety
- Community Engagement
- Health and Safety

**ARRANGEMENTS FOR SETTING PAY AND REMUNERATION OF KEY MANAGEMENT PERSONNEL**

The Principal,(or the Chair of Governors if the post to be filled is the Principal) in consultation with the HRPM (and FGPA) when appointing the Principal) determines the pay range for a vacant post, in line with the School's staffing structure and budget, prior to advertising the position. An appropriate offer will be made to the successful applicant which may take into account all or any of the following factors at the School's discretion:

- the employee's current pay grade;
- the nature of the post;
- the level of qualifications, skills and experience required;
- market conditions;
- the School's development plan;
- the wider school context; and
- the School's budget from time to time.

**TRADE UNION FACILITY TIME**

The school has no union officials and therefore had no time or costs spent on union activities during the year.

**CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS**

The school has a trading subsidiary RWS Enterprises Ltd. This is accountable directly to the Governing Board for the transparency, rigour and effectiveness of its operations, and submits regular reports to each meeting of the FGPA for scrutiny. Its membership includes at least one Director who is independent of the school.

**OBJECTIVES AND ACTIVITIES**

**OBJECTS AND AIMS**

The Academy Trust's object is specifically restricted to the following;

- a) To advance for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum;
- b) To promote for the benefit of the inhabitants of Wolverhampton and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the objects of improving the condition of life of the said inhabitants.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**OBJECTIVES, STRATEGIES AND ACTIVITIES**

Through its curriculum and co-curriculum, underpinned by the creative challenge-based pedagogy and 4-19 context, The Royal School, Wolverhampton (RSW) will open up the very best of an independent Free School education to the local and wider community.

The strategic objectives will be to:

- Establish and consolidate a wider, cohesive and aspirational community of learners with a local and international perspective;
- Be the school of choice for pupils, parents and staff;
- Enable all pupils, at whatever point of entry, to excel and to live up to their potential, in terms of academic success and a wider range of talents, developing character and intellect, and instilling a sense of responsibility and service to the wider community;
- Close the gap between the performance of pupils identified as 'disadvantaged' and other pupil groups;
- Ensure effective transition through the 4-19 school with absolutely no NEET pupils. (Not in education, employment or training);
- Increase aspiration and successful progression to outstanding quality destinations and into the world of employment and training.
- Be recognised as outperforming local and national trends and as providers of an outstanding learning experience against OFSTED and other national and, as appropriate, international indicators.
- Maintain and extend RSW's contribution to the wider community.

**PUBLIC BENEFIT**

In setting objectives and planning the Academy's activities, the Governors have paid due regard to the published guidance from the Charity Commission regarding the principle of public benefit.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**STRATEGIC REPORT**

**ACHIEVEMENTS AND PERFORMANCE**

The School's objective to be the school of choice locally continues to be realised as it was the most oversubscribed school within the City of Wolverhampton in the academic year 2016/17 and again for the academic year 2017/18 where the DFE identified it as 'the most difficult school to secure a Year 7 place in England'. All PAN places were full as of September 2018 with significant oversubscription at Reception (YR), Year 7, Year 12 and also for boarding places from UK and EU. Boarding numbers have reached capacity at 110 (reduced from previous year due to building programme capacity) and includes a number of UASC young people (Unaccompanied Asylum Seeking Children) and LAC pupils (Looked After Children) which continues to celebrate the diversity and strength of the community provision on offer. More than 22 nationalities were represented in the boarding population. Extensive waiting lists operate in each year group, and for boarding places, and the school was the most oversubscribed school at Reception Year and Year 7 in the city region, with many appeals being lodged for places in the school, such is the demand. The Governors and leadership team believe that the school has achieved the objective, and interest from parents continues to grow.

The Royal School has continued to develop and grow according to the planned expansion agreed with the DFE and ESFA. Throughout the academic year Phase 1a and b of the building development was initiated involving significant areas of both primary and secondary sites. The decanting of classes, pupils and resources into ever smaller areas of the school campus did not affect outcomes either academic or in personal development of the pupils, but required inventive and creative solutions in order for learning to thrive.

Attendance has been strong with a target of 97.5% attendance being exceeded during the year at 97.5% for all pupils.

Lesson observations and work scrutiny take place regularly along with SLT driven external reviews of phases and departments from local and national Teaching School partners and these have highlighted the recognisable strong focus on learning and teaching, effective systems of monitoring and intervention and exemplary attitudes to learning observed in pupils at all stages and phases. There exist 11.5% pupils with SEND (Special Educational Needs and Disabilities – similar to local figures) and 7 pupils with EHCP (Education Health Care Plans), all of whom have their needs well met by the SEND team and teachers. EAL (English as an Additional Language) affects 47.13% of all pupils and requires significant intervention of a highly qualified and experienced team within the SEND department. External lesson observations carried out identified a brisk pace in learning; good opportunities to share and talk constructively in lessons between pupils; high teacher expectations of pupils' behaviour and attention with many examples of excellent pupil feedback, marking, assessment and high levels of pupil engagement and behaviour.

At the same time the DFE Education Advisers monitoring visits continued into 2017/18 and continued to comment positively on the strength of leadership and governance within the school through the identified ambition of achieving an aspirational, cohesive and integrated community of learners. They indicate that this has been achieved with exemplary behaviour, remarkable attitudes to learning at all key stages' and had that the school continues to 'manage its transition to a large maintained, all-through free school exceptionally well.' These independent reports speak strongly of the extreme popularity of the school locally and in neighbouring LA's. They refer to extensive and interesting learning opportunities within the curricular and co-curricular programme enabling all pupils to thrive through a thoughtful and effective SMSC (Spiritual, Moral, Social and Cultural) and physical wellbeing programme and refer to the School as a shining example of community living and teaching. Recent external validation by the DFE education advisers identified that this is a 'values driven school' and the values of respect, trust, initiative, community and risk and are actively modelled by the Principal and Leadership team across all phases. There is a palpable culture of high expectations and individual care within an inclusive community. Main strengths are numerous; behaviour and conduct of pupils is exemplary in all phases; excellent relationships between staff and pupils are palpable and excellent leadership and management of SLT (Senior Leadership Team), rapidly developing middle leadership and SENDCo.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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This indicates that the transition from an independent school to a large maintained all-through school has been successful and achieved the aims of the governors in their strategic plans. It is observed independently through DFE EA visits and external review that Governors challenge senior leaders about all aspects of the school's performance through frequent visits, involvement in the SIP, taking lead roles in each area and regular and robust scrutiny in meetings. The governors and senior leadership welcome external training and reviews, having engaged with external agencies to review many areas of practice from SEND, governance and learning and teaching.

Years 5 and 6 pupils remain in their 6 refurbished classrooms contained within the senior site, which has given opportunities for excellent transition to Year 7 for Year 6.

A further objective, to enable pupils at whatever point of entry to excel and live up to their potential, has been achieved at all key stages, whilst developing their range of talents and developing character and intellect. In the Early Years 77% of children achieved a Good Level of Development, some 6% better than National figure of 71%. 88.8% of children achieved the Year 1 phonic screen in 2018 up from 80% in 2017 (81% National) a significant improvement. However, specific interventions put in place for these children enabled Year pupils to exceed national figures by 10%.

At KS 2, attainment continues to be above the national levels in all areas, Reading 87% (National 75%), GPS a remarkable 95% (78%), Mathematics 84% (76%), Writing 79% (78%). All reported outcomes were successfully moderated by the local authority and give confidence that all pupils, including those 'disadvantaged' children are making the progress expected, and many considerably better. In the Primary phase pupils also benefited from a choice of 76 co-curricular activities between 15.30 and 18.00 each week. A considerable uptake of 84% of pupils ensures that the development of 'character' is central to their learning opportunities. These range from Russian language and culture, chess, go kart engineering, a range of individual and team sports, Maths challenge and many more esoteric and engaging activities.

At Key Stage 4, outcomes of the one of the legacy year groups of 52 Year 11 pupils (64% of which joined after the normal Y7 entry point and therefore did not benefit from the full programme of study leading to GCSE of whom only 39 count in the performance tables as they have been studying in the school for 2 years or more and had KS2 results to compare) achieved a strong positive Attainment 8 score of 50.4 which was the very best for non-selective schools within the City of Wolverhampton and well above national figures. The Progress 8 score was also a very positive outcome of +0.1, indicating that pupils had made strong progress from KS2 to KS4 and were well prepared for the next stages of their academic life, which forms one of the School's key objectives.

Performance in EBacc measures of 20% above national figures at grade 4+ and 42% above national at EBacc 5+ reflects the strongly academic rigour of the curriculum and high uptake of MFL subjects. Outcomes at GCSE in English and Maths were significantly above National and local levels and all pupils progressed to their chosen course and destination for their next stage of their academic careers. There were no differences between groups of pupils, and the School has successfully closed the gap between 'disadvantaged' pupils and their peers at every stage of a pupil's life in the school.

At KS 5 the outcomes again exceeded the school target with an average of C and an increase in points score per A level entry. 95% of pupils applying to university achieved their choice of placement and there were no NEETs (Not in Education, Employment or Training) as was the target for the legacy year and in the future.

The target of ensuring that there is an effective transition through 4-19 is supported by the outcomes identified above and the fact that there were no NEET pupils at the end of their time of study with the school. The DFE EAs agreed with the School's self-assessment that pupils are very well prepared for life in modern, diverse Britain. They experience a wide range of carefully planned experiences both in and outside school, such as art, music and sport. This broadens their self-esteem and confidence. There are 82 extra-curricular activities weekly in the senior school in addition to the 76 in Primary phase which is identified as a significant strength of the school. Sport is central to much of the success of pupils, and in the year 2017-18 there were significant teams across primary and secondary phases, girls and boys that were City or Regional champions in their respective sports. At the inaugural City sports presentations, The Royal school achieved by far the greatest

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**GOVERNORS' REPORT (continued)**  
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number of awards and city representations. These sports includes swimming, football, netball, basketball, table tennis, Dodgeball, tennis, badminton, rugby and a range of other sports. The Duke Of Edinburgh's Award scheme has gained traction and more than 30 youngsters gained their Bronze and silver awards during the year. An extensive outdoor education programme using the Towers Outdoor Centre has engaged pupils in Years 9 and 10 to further their personal development goals.

In addition, the Elite Swimming programme has placed more than 20 pupils at National and International competitions with a significant number of medallists and finalists at National swimming events during the year. The programme, created in 2009, continues to be over-subscribed for places and results at Regional, National and International competitions have improved year on year. There are also 9 professional football academy (Wolverhampton Wanderers Academy/Walsall and West Brom players at U-15 and U16, two GB gymnasts and many other individual representative sportsmen and women. The School believes that this demonstrates that the pupils outperform local and national trends and shows an outstanding learning experience is available and continues to develop further.

The School also sets out to extend RSW's contribution to the wider community and, with the Learn to Swim programme in the School's 25m pool, an average of 1403 young and old people from the local community benefit from outstanding teaching and learning experiences weekly. The AstroTurf pitch, dance studio, gymnasium and seminar room are booked by the wider community each evening and at weekends and are at capacity.

Working with the local Finchfield Hockey Club, the School intends to resurface the AstroTurf pitch in January 2019 and extend the opportunities for pupils and local people to play hockey on a first-class surface.

The School also hosts all meetings of the Wolverhampton LSCB (Local Safeguarding Children Board), with the Principal and Vice Principal being active members, long with membership of related important strategic groups such as the Corporate Parenting Group of the WCC.

The School's Chapel and Queen Victoria Hall are used extensively by local faith groups and other organisations. Recently the School hosted the Wolverhampton Interfaith celebration of achieving a National Award to recognise the 40th anniversary of the group's work locally and regionally.

### **Key Performance Indicators**

The School's Financial Key performance indicators for the year were;

Staff costs to be 80% or below of total costs

Total cost per pupil target– £4900

Cash balance to be sufficient to pay at least 1 months costs

### **GOING CONCERN**

The Governors have scrutinised the financial position for the year and reviewed ongoing forecasts. Pupil numbers continue to increase, at a rate which is in line with, or exceeds, plans, generating additional income. There continues to be significant oversubscription at every pupil entry point, except sixth form where numbers have been, and will be next year, affected by the impact of the building programme which has significantly disrupted classroom and sixth form centre availability.

Costs, however, will not increase at the same rate as the building programme is intended to overcome the constraint of existing small classrooms, many of which are being reconfigured to permit larger classes. Many classes in the Primary School and the Senior School will then be able to accommodate up to 30 pupils, with

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**GOVERNORS' REPORT (continued)**  
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greater income per class and largely unchanged teaching costs. Taking this into account as well as considerable cost savings that have been generated (to be realised in 2017/18 and ongoing) the school will be in an overall cumulative break-even position by 2019/20. The school also maintains a cash balance that will cover costs as described in the KPI's above.

Refurbishment and building work began in early 2018, funded by the ESFA capital programme as part of opening the Free School. This aims to ensure that the buildings are converted to the highest Health and Safety and Mechanical and Electrical standards, which should ensure costs of running the buildings, including repair and compliance are effectively covered for years into the future. It will mean that pupils and staff can enjoy facilities fitting for their aspirations.

The work has been planned in many phases. There have been major delays with the first phase due to many significant unexpected problems with the senior School building, which dates back to 1853. This is despite numerous initial surveys before the programme started. The initial work, which is in the centre of the building, has caused major disruption to teaching and pupil flows. While this initial work is done, teaching is carried out in many unsuitable classrooms, and succeeds only with the considerable goodwill of the pupils and the teachers. This first phase puts the school under maximum stress – future planned work will be less disruptive. Phase 1 will deliver 10 reconfigured classrooms, 3 newly refurbished Science labs, a Sixth Form Centre, a lift allowing disabled access to the upper floor, and a group of classrooms with sliding walls which can be pulled back to allow the space to be used as a theatre. Once delivered it will enable the school to expand as planned and accommodate the increased number of pupils for September 2019.

The programme is many months late and has taken 10 classrooms out of operation. This has disrupted pupils and teachers. It also has adversely affected school operating costs, as the school has to continue to bear the costs of maintaining parts of an old building, which it had expected to be renovated and handed back. Additionally, it carries the risks and extra costs of heating the building from an old and very inefficient boiler.

The extra, expensive and time-consuming, work exposed in Phase 1 caused a rethink of the project in the first term of 2018/19. The ESFA, contractors, and where possible, the School are working closely to resolve the issues and develop a revised building programme which it is believed will deliver a better outcome for the School, its staff and pupils. The result is expected to be better, but will be later and more expensive than originally planned. This will place staff and pupils under pressure for a longer period and the Governors and the Senior Leadership Team are extremely grateful to the staff and pupils for the very professional and cooperative way in which they have borne the pressures and disruption. At the time of this report (December 2018), the final renovation and building programme has not been fully designed and approved. Discussions with all the parties are ongoing with the DfE/ESFA having committing to the financing and delivery of a suitable solution, even though considerably more expensive than originally expected.

The Board of Governors 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.

Improvements to the physical amenities and condition of the school over the coming years, funded by the ESFA, will improve the quality of available resource (meeting rooms, theatre, classrooms etc.). This will enable further Enterprises lettings and community charged use that will deliver greater School and Community use and raise further revenues.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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## **FINANCIAL REVIEW**

In the financial year 2017/18, the school received income into its restricted fund, unrestricted fund and fixed asset fund.

### **Restricted fund**

The majority of the trust's funding was received through the Education and Skills Funding Agency, revenue GAG funding and was based on estimated pupil numbers and adjusted after the census in October 2017. This funding is restricted to delivering the schools educational aims and objectives.

Restricted fund income in the year amounted to £5,333,106 and expenditure against this fund amounted to £5,212,135 giving an in-year surplus of £120,971.

### **Unrestricted Funds**

Total income received into the school's unrestricted fund was £2,462,373 and expenditure against this fund was £2,595,592 giving a negative movement in funds of £133,219 after transfers

This funding is not restricted and is largely generated by the school's boarding activities and trading activities. Other sources of unrestricted income are pupil activities and visits. The loss on this fund can be explained as;

- Catering, school visits and pupil activities (Charitable activities) - loss £134,105
- Financing capital purchases £100,497
- Boarding – gain £87,202
- Trading activities - gain £14,181

### **Restricted Fixed Asset fund**

This fund includes the value of assets that the school leases from the Secretary of state, shown in the accounts as a donation. This fund is reduced by depreciation in line with the schools depreciation policy.

It also includes funding that has been claimed from the Education and Skills funding agency for the Building project, IT equipment and furniture and further funding to which the school is entitled, but has not yet been spent or claimed. The total fund to carry forward is £4,227,911

### **Summary**

The total fund balance as at 31 August 2018 is £3,876,822, comprising of (£414,091), £63,002 and £4,227,911 in Unrestricted funds, Restricted funds and Fixed asset funds respectively.

### **Balance Sheet**

The school's assets are predominantly used for providing education to pupils.

The net book value of the school's tangible fixed assets as at 31 August 2018 was £3,855,919

The difference between the Restricted Fixed Asset fund and the assets on the balance sheet is the entitlement to the grant that we have not yet claimed of £372,00. Total net current assets as at 31 August 2018 was £70,350 including cash in hand £393,677.

## **RESERVES POLICY**

The Board of Governors reviews its reserves policy annually. The reserves policy for the school (excluding Fixed Assets) is to hold a fund totalling at least 5% of annual income. The unrestricted fund as at 31 August 2018 was (£414,091). The Governors aim to build unrestricted funds to a level that will enable the school to invest in the development plans of the school. The restricted fund was in surplus by £63,002.

This is the second year of running the free school, which converted from a much smaller independent school. It now has more than 3 times the number on roll when the application to become a Free School was submitted. Pupil numbers will rise over the next 5 years to reach full capacity of 1480. This year the school again has operated with high inherited costs in many areas. These have been reviewed and cost savings have been

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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generated of circa £150k per annum. There are still areas of operation currently being reviewed.

The school's current staffing structure will enable the school to grow with only minimal changes necessary and therefore staffing costs are not expected to rise at the same rate as income. For example, classes in Primary school Years 3 to 6 have 25 pupils each due to the physical capacity of the classrooms prior to reconfiguration. These classes over the next few years will each increase by 5 (total additional 60 pupils) with the building programme that started in early 2018. This will raise additional income of circa £240k each year with no additional staffing costs. A similar situation exists in the senior school as 'legacy' classes are not all working at fully efficient staff to pupil ratios, again due to physical capacity limitations, but are currently pushing through from Y7 – Y9 and Y12. Financial benefits, through additional pupil numbers with increased physical capacity will crystallise in each coming academic year.

The school is the school of choice in the City of Wolverhampton and had 902 applications for the 33 available spaces at Y7 entry 2018. Similar oversubscription occurs at Reception YR. Sixth form entry is slightly down on projections due to the impact of the building programme already referred to. All boarding places are oversubscribed where increased value for money as a State Boarding School has dramatically increased applications from the UK and farther abroad. In the year 2017-18 boarding was running at capacity of 130 boarders, 15 above budget targets. The building programme will temporarily constrain boarding numbers to around 110 in 2018/19.

#### **INVESTMENT POLICY**

The investment objectives are:

- act within their powers to invest as set out in their Articles of Association
- have an investment policy to manage, control and track their financial exposure, and ensure value for money
- exercise care and skill in all investment decisions, taking advice as appropriate from a professional adviser
- ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation
- ensure that all investment decisions are in the best interests of the trust and command broad public support
- review the trust's investments and investment policy regularly

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The board of Governors has reviewed the key risks to which the academy is exposed, including Strategic and reputational, operational, compliance and financial together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Governors operate a formal ongoing process for identifying, evaluating and managing the academy's significant risks. It has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Governors.

The principal risks facing the school and the controls in place are;

- Financial Risk – Uncertainty about the future of funding due to the national funding formula
- Actions include generating income from other sources and maintaining cash balance to cover 1 month's costs.
- However, current calculations do indicate the school, given its location, will not be adversely affected by projected changes.
- Technology Risk – IT Fraud/Cyber-attack
- Actions include suitable Firewalls, IT managed services provided by an experienced contractor to schools and staff training.
- Safeguarding – non-compliance – actions include:
- The School is a member of WCSB;

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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- DSL-trained staff regularly receive up to date training; attendance at relevant courses; subscriptions to relevant agencies who provide updates.
- The current safeguarding policy is regularly reviewed.
- Ensuring procedures are followed.
- Regular reporting to SLT and Governors.
- Delayed building programme.
- This is running about late by around 6 months
- As explained earlier, it is being redesigned and re-phased to ensure it is suitable, it conforms to standards and is achievable, given the need to carry out some work between terms
- It is expected to enable the School to achieve its pupil-growth and financial targets.
- Considerable consultation between the ESFA team, architects and the School's officers and governors is in place to mitigate risks.

### **FUNDRAISING**

The Charitable Company had no fundraising activities requiring disclosure under S162A of the Charities Act 2011. Any fundraising is carried out by The Royal School Foundation (formerly known as The Royal Wolverhampton School). The foundation contacts the members of its community, namely alumnae, current and past parents and friends of the schools, regarding fundraising activities. The Foundation does not contact general members of the public who are not identified as a stakeholder group of the school. All fundraising efforts make clear that any donations are voluntary and do not place any undue pressure on an individual. Once subscribed, it is very easy for individuals to unsubscribe and stop receiving any form of communications. In the last financial year there have not been any breaches or failure to comply with fundraising regulatory standards of any regulatory body governing fundraising policies. There have not been any formal complaints against the Foundation's fundraising procedures

### **PLANS FOR FUTURE PERIODS**

The School Improvement plan identifies four key areas for improvement in the year 2018/19. This is of course contingent on effective financial and management of the school's available resources.

**Key Issue 1:**

Accelerate students' progress in all subjects and in all key stages to ensure that pupils who enter at any age/stage are able to progress successfully to the next phase of their education.

**Key Issue 2:**

Further improve the quality of learning and teaching in all phases and subject areas and to develop a self-sustaining and improving school.

**Key Issue 3:**

Further improve the quality of leadership at all levels, including the functions of governance within the developing context of the school

**Key Issue 4:**

Further improve the quality of pupils' personal development including welfare, boarding, extended day and opportunities beyond the curriculum.

### **FUNDS HELD AS CUSTODIAN**

Neither the school nor the Board of Governors are acting as third party custodian trustees

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**AUDITOR**

Insofar as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Governors have taken all the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the charitable group's auditor is aware of that information.

The Governors' report, incorporating a strategic report, was approved by order of the board of Governors, as the company directors, on \_\_\_\_\_ and signed on its behalf by:

**P. Hill, Chair**  
**Chair of Governors**

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**GOVERNANCE STATEMENT**

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**SCOPE OF RESPONSIBILITY**

As Governors, we acknowledge we have overall responsibility for ensuring that The Royal School, Wolverhampton 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 Governors has delegated the day-to-day responsibility to the Principal, 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 The Royal School, Wolverhampton and the Secretary of State for Education. The Principal is also responsible for reporting to the board of Governors any material weaknesses or breakdowns in internal control.

**GOVERNANCE**

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The board of Governors has formally met 4 times during the year. Attendance during the year at meetings of the board of Governors was as follows:

Governor	Meetings attended	Out of a possible
Peter Hill	4	4
Cherry Reynolds	3	4
Lukasz Rzczkowski	2	2
Linda Lang	3	4
Gurinder Atwal	2	4
Jas Kaur Tawana	3	4
Neil Lloyd	3	4
Steve Hawke	3	4
Steve Bunn	2	4
Mark Heywood	4	4

**Composition of the Board**

The composition of the Board is aimed at ensuring it has the wide range of skills needed in such a complex environment. Regular skills audits are carried out and additional skills identified. This school is more complex than most as it is an all-through school from 4-18. It has international boarding and operates an extended day with a vast range of character-building co-curricular activities. It has a separate Enterprises company and operates a swimming pool and leisure complex, which supports an Elite swimming squad, led by a former Olympic swimmer, and offers the local community the largest Learn to Swim programme in the country.

The following examples demonstrate the range and depth of Board members:

- The Data Standards and Assessment Committee
- This is chaired by Steve Hawke, a former Head with extensive school-turnaround experience, who has been at the forefront of developing school leaders for many years.
- He is supported by Professor Linda Lang who was the Dean of the University of Wolverhampton's Faculty of Education, Health and Wellbeing.
- Cherry Reynolds MBE M. Ed NPQH brings her extensive SEND and education leadership experience.
- The Finance, General Purposes and Audit Committee
- This is chaired by Steve Bunn, an Engineer and a Chartered Accountant, who is a Director in KPMG's Restructuring Advisory practice.
- The Full Governing Body
- The Board is led by Peter Hill FCMA, CGMA, CPFA, a former consultancy partner in EY, who has over 25 years' experience as a school governor and who founded an IT services company, providing support to the NHS.
- Lukasz Rzczkowski has recently joined the Board and is the Link-Governor role for Boarding. He was

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**GOVERNANCE STATEMENT (continued)**

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The Royal School's very first Polish scholar. After a career in Finance in London, he recently opened his own company delivering virtual clinic platforms to world-leading cancer specialists.

- The Royal Wolverhampton School Enterprises Limited Board is led by Neil Lloyd, a banker and a marketing specialist who has just become CEO of FCB Manby Bowdler, a growing local legal firm.

**External review of Governance**

This has been a feature since the School applied to be a Free School. Prior to opening, an external review of Governance was carried out by Barbara Harrison and an action plan developed and actioned. At our Readiness to Open meeting with the DfE all aspects were rated as green including Governance.

Since opening, the School has had 4 monitoring reviews from our senior DfE Educational Advisers, which have included reviews of Board and sub-committee minutes. The latest in October 2018 noted that

- Governors bring a range of appropriate expertise
- Regular skills audits have been conducted
- The Governing Body is supported by linked committees that separately and collectively enable governors to offer constructive challenge as well as support
- Regular governor visits, comprehensive reporting from the principal and senior team members and participation in governor training ensure governors are up-to-date and know the school well.

The Board expects an External Review of Governance exercise to be completed in early 2019.

The finance, general purposes and audit committee is a sub-committee of the main board of Governors. Its purpose is to meet at least once each half term, and more frequently as needed, with the delegated authority of the GB, to interrogate regular updates on the school's financial and budget position, ensuring tight budget control is on-going, and confirming that robust operational controls are in place and transparent at all times for all financial processes within the Free School and its Trading Subsidiary.

It reports fully to each meeting of the Governing Board on the financial health of the school, and provides strategic guidance on the financial implications and value for money of staffing, building and other resources deployed to deliver the Free School vision; accounting compliance; asset management; and audit controls and make recommendations, as appropriate for strategic action.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Peter Hill	6	6
Jas Kaur Tawana	1	6
Neil Lloyd	2	6
Steve Bunn	5	6
Mark Heywood	6	6

**REVIEW OF VALUE FOR MONEY**

As Accounting Officer, the Principal 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 academy trust's use of its resources has provided good value for money during each academic year, and reports to the board of Governors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy trust has delivered improved value for money during the year as follows:

- Improved pupil outcomes at all key stages in examinations, activities in line with values and ethos of the school
- 100% destinations of Y13 to choice of university and FE courses

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**GOVERNANCE STATEMENT (continued)**

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- Improved pupil:teacher ratios, reducing costs with increased class sizes and reduced option choices at KS4 and 5
- Over 900 additional pupil places to the local community easing pressure on local schools

The Director of Finance and Services, in addition to implementing a new accounting system, has carried out a number of VfM reviews aimed at ensuring optimum service levels and achieving significant financial savings. They are shown below with, where appropriate, an indication of the annual savings generated.

Cost reduction and VfM projects:

- Finance Department review
- Boarding fees review
- Trading income/fees review
- Cleaning consumables
- Energy contract review
- Minibus contract
- Broadband

System changes:

- Introduction of a new payroll system and procedures

#### **THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy 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 The Royal School, Wolverhampton for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

#### **CAPACITY TO HANDLE RISK**

The board of Governors 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 Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Governors.

One of the key risks identified by the Governors and leadership team is any delay in the building, refurbishment and development programme and the likelihood and impact of this risk have risen significantly during the academic year. The school is growing by nearly 200 pupils per year in the coming three years and will require the planned additional space and resources to ensure it can effectively deliver against agreed targets. Delays in Phase 1 of the works, due the complexity and unforeseen extent of the works have impacted negatively, as explained above. The school is working closely with architects, ESFA, contractors and DfE to mitigate the effect on the School of the delays and disruption caused by the delays. Much remains outside the management of the school, but the School's leadership is providing timely and accurate information and cooperating fully to help speed up this process where possible. The School understands the DfE and ESFA will take all measures it can to minimise the impact of the problems and to provide sufficient quality classroom capacity to ensure the planned growth can continue. Completion of Phase 1, promised at latest by the start of the 2019 academic year, should provide the capacity to meet demands at that time.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**GOVERNANCE STATEMENT (continued)**

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**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 Governors;
- regular reviews by the finance and general purposes committee (FGPA) of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of Governors has considered the need for a specific internal audit function and has decided to appoint Crowe as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. The auditor reports to the board of Governors, through the finance, general purposes and audit committee on the operation of the systems of control and on the discharge of the board of Governors' financial responsibilities. A review covering the academic year ended 31 August 2018 is to be performed at the earliest opportunity and termly checks carried out thereafter.

**REVIEW OF EFFECTIVENESS**

As Accounting Officer, the Principal 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 internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of Governors on \_\_\_\_\_ and signed on its behalf, by:

**P. Hill, Chair**  
**Chair of Governors**

**M. Heywood**  
**Accounting Officer**

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of The Royal School, Wolverhampton I have considered my responsibility to notify the academy trust board of Governors and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust board of Governors 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 2017.

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 Governors and ESFA.

**M. Heywood**  
**Accounting Officer**

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**STATEMENT OF GOVERNORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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The Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for ensuring that in its conduct and operation the charitable company and the group applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group'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 Governors on \_\_\_\_\_ and signed on its behalf by:

**P. Hill**  
**Chair of Governors**

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
ROYAL SCHOOL, WOLVERHAMPTON**

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**OPINION**

We have audited the financial statements of The Royal School, Wolverhampton (the 'parent academy') and its subsidiaries (the 'group') for the year ended 31 August 2018 which comprise the group Consolidated Statement of Financial Activities incorporating Income and Expenditure Account, the group Consolidated Balance Sheet, the group Consolidated Statement of Cash Flows and the related notes, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent free school's affairs as at 31 August 2018 and of the group's 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent free school'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 Governors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
ROYAL SCHOOL, WOLVERHAMPTON**

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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 MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

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

- the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Governors' Report and the Group Strategic Report have been prepared in accordance with applicable legal requirements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of our knowledge and understanding of the group and the parent free school and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' 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:

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

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
ROYAL SCHOOL, WOLVERHAMPTON**

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**RESPONSIBILITIES OF TRUSTEES**

As explained more fully in the Statement of Governors' Responsibilities, the Governors (who are also the directors of the free school 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 Governors 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 Governors are responsible for assessing the group's and the parent free school'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 Governors either intend to liquidate the group or the parent free school 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**USE OF OUR REPORT**

This report is made solely to the free school'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 free school's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the free school and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Drew (Senior Statutory Auditor)

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

Date:

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE ROYAL SCHOOL, WOLVERHAMPTON AND THE EDUCATION & SKILLS FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 26 January 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Royal School, Wolverhampton during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**RESPECTIVE RESPONSIBILITIES OF THE ROYAL SCHOOL, WOLVERHAMPTON'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT**

The Accounting Officer is responsible, under the requirements of The Royal School, Wolverhampton's funding agreement with the Secretary of State for Education dated May 2016, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. 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 year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**APPROACH**

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the free school's income and expenditure.

The work undertaken to draw our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the Academy and specific transactions identified from our review.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE ROYAL  
SCHOOL, WOLVERHAMPTON AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)**

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**CONCLUSION**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Crowe U.K. LLP**

Statutory Auditor

Black Country House  
Rounds Green Road  
Oldbury  
West Midlands  
B69 2DG

Date:

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES**  
(Incorporating Income and Expenditure Account)  
FOR THE YEAR ENDED 31 AUGUST 2018

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
<b>INCOME FROM:</b>					
Donations & capital grants:					
Transfer on conversion	2	-	-	-	3,945,651
Capital grants	2	-	195,328	195,328	514,842
Charitable activities	3	482,956	5,333,106	5,816,062	5,432,034
Other trading activities	4	554,220	-	554,220	476,687
Boarding income	5	1,425,197	-	1,425,197	1,024,737
<b>TOTAL INCOME</b>		<b>2,462,373</b>	<b>5,333,106</b>	<b>7,990,807</b>	<b>11,393,951</b>
<b>EXPENDITURE ON:</b>					
Raising funds	6	540,039	-	2,601	542,640
Charitable activities:					
Boarding expenses	5	1,337,995	-	1,337,995	1,020,683
Educational operations		617,061	5,212,135	274,064	6,103,260
<b>TOTAL EXPENDITURE</b>	6	<b>2,495,095</b>	<b>5,212,135</b>	<b>276,665</b>	<b>7,517,950</b>
<b>NET INCOME / (EXPENDITURE) BEFORE TRANSFERS</b>		<b>(32,722)</b>	<b>120,971</b>	<b>(81,337)</b>	<b>6,912</b>
Transfers between Funds	18	(100,497)	-	100,497	-
<b>NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>		<b>(133,219)</b>	<b>120,971</b>	<b>19,160</b>	<b>6,912</b>
<b>NET MOVEMENT IN FUNDS</b>		<b>(133,219)</b>	<b>120,971</b>	<b>19,160</b>	<b>6,912</b>
<b>RECONCILIATION OF FUNDS:</b>					
Total funds brought forward		(280,872)	(57,969)	4,208,751	3,869,910
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>(414,091)</b>	<b>63,002</b>	<b>4,227,911</b>	<b>3,876,822</b>

The notes on pages 33 to 53 form part of these financial statements.

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 09250153**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 AUGUST 2018**

	Note	£	2018 £	£	2017 £
<b>FIXED ASSETS</b>					
Tangible assets	12		3,855,919		3,920,068
<b>CURRENT ASSETS</b>					
Stocks	14	7,974		5,306	
Debtors	15	738,151		595,534	
Cash at bank and in hand		393,677		678,190	
			<u>1,139,802</u>		<u>1,279,030</u>
<b>CREDITORS:</b> amounts falling due within one year	16	<b>(1,069,452)</b>		<b>(1,186,025)</b>	
<b>NET CURRENT ASSETS</b>			<b>70,350</b>		<b>93,005</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>3,926,269</b>		<b>4,013,073</b>
<b>CREDITORS:</b> amounts falling due after more than one year	17		<b>(49,447)</b>		<b>(143,163)</b>
<b>NET ASSETS</b>			<b>3,876,822</b>		<b>3,869,910</b>
<b>FUNDS OF THE ACADEMY</b>					
Restricted income funds:					
Restricted income funds	18	63,002		(57,969)	
Restricted fixed asset funds	18	4,227,911		4,208,751	
Total restricted income funds			<b>4,290,913</b>		<b>4,150,782</b>
Unrestricted income funds	18		<b>(414,091)</b>		<b>(280,872)</b>
<b>TOTAL FUNDS</b>			<b>3,876,822</b>		<b>3,869,910</b>

The financial statements on pages 29 to 53 were approved by the Governors, and authorised for issue, on and are signed on their behalf, by:

**P. Hill**  
**Chair of Governors**

The notes on pages 33 to 53 form part of these financial statements.

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 09250153**

**FREE SCHOOL BALANCE SHEET**  
**AS AT 31 AUGUST 2018**

	Note	£	2018 £	£	2017 £
<b>FIXED ASSETS</b>					
Tangible assets	12		3,855,919		3,903,596
Investments	13		102		102
			3,856,021		3,903,698
<b>CURRENT ASSETS</b>					
Stocks	14	6,530		4,513	
Debtors	15	816,052		861,235	
Cash at bank and in hand		331,517		402,861	
		1,154,099		1,268,609	
<b>CREDITORS:</b> amounts falling due within one year	16		(1,059,937)		(1,123,740)
<b>NET CURRENT ASSETS</b>			94,162		144,869
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			3,950,183		4,048,567
<b>CREDITORS:</b> amounts falling due after more than one year	17		(49,447)		(143,163)
<b>NET ASSETS</b>			3,900,736		3,905,404
<b>FUNDS OF THE ACADEMY</b>					
Restricted funds:					
Restricted funds		56,002		(57,969)	
Restricted fixed asset funds	18		4,227,911		3,944,438
Total restricted funds			4,283,913		3,886,469
Unrestricted funds	18		(383,177)		18,935
<b>TOTAL FUNDS</b>			3,900,736		3,905,404

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

**P. Hill**  
**Chair of Governors**

The notes on pages 33 to 53 form part of these financial statements.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	20	<u>(267,325)</u>	<u>472,781</u>
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(212,516)	(314,777)
Capital grants from DfE Group		<u>195,328</u>	<u>226,159</u>
<b>Net cash used in investing activities</b>		<u>(17,188)</u>	<u>(88,618)</u>
<b>Change in cash and cash equivalents in the year</b>		<b>(284,513)</b>	<b>384,163</b>
Cash and cash equivalents brought forward		<u>678,190</u>	<u>294,027</u>
<b>Cash and cash equivalents carried forward</b>	21	<u><u>393,677</u></u>	<u><u>678,190</u></u>

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**1. ACCOUNTING POLICIES**

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

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, 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 accounts 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the free school and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

No separate SOFA has been presented for the free school alone as permitted by section 408 of the Companies Act 2006.

**1.2 COMPANY STATUS**

The Free School is a company limited by guarantee and was incorporated in England and Wales, (registered number 09250153). The address of the registered office is Penn Road, Wolverhampton, West Midlands, WV3 0EG.

**1.3 GOING CONCERN**

The Governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the free school to continue as a going concern. The Governors 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.

**1.4 FUND ACCOUNTING**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.5 INCOME**

All income is recognised once the free school has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

General Annual Grant is recognised in full in the Statement of Financial Activities in the year 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 when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

Where assets are received by the trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risk and rewards of ownership pass to the trust. An equal amount of income is recognised as a transfer on conversion within Donations and capital grant income.

**1.6 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 allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the free school to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities are costs incurred on the free school's educational operations, including support costs and those costs relating to the governance of the free school appointed to charitable activities.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.7 TANGIBLE FIXED ASSETS AND DEPRECIATION**

All assets costing more than £2,500 are capitalised 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 requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Consolidated 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 Consolidated 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 and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Long-term leasehold property	-	over the life of the lease
Motor vehicles	-	20% straight line
Fixtures and fittings	-	15% straight line
Computer equipment	-	33% straight line

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Consolidated Statement of Financial Activities.

**1.8 INVESTMENTS**

The academy's shareholding in the wholly owned subsidiary, The Royal Wolverhampton School, Enterprises Limited, is included in the balance sheet at the cost of the share capital owned less any impairment. There is no readily available market value and the cost of valuation exceeds the benefit derived.

**1.9 OPERATING LEASES**

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

**1.10 STOCKS**

Unused catering stores, stationery and school uniform are valued at the lower of cost and net realisable value.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.11 LIABILITIES AND PROVISIONS**

Liabilities and provisions 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 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.

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**1.12 FINANCIAL INSTRUMENTS**

The free school only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the free school and their measurement basis are as follows:

*Financial assets* - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments. Amounts due to the free school's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 16 and 17. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments. Amounts due to the free school's wholly owned subsidiary are held at face value less any impairment.

**1.13 TAXATION**

The free school 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 free school 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.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.14 PENSIONS**

The free school operates a defined contribution pension scheme and the pension charge represents the amounts payable by the free school to the fund in respect of the year.

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS"), a defined benefit scheme and a defined contribution scheme.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the free school 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 prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and 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 recognised in the period to which they relate.

**1.15 AGENCY ARRANGEMENTS**

The academy acts as agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the Statement of Financial Activities as the trust does not have control over the charitable application of the funds. In some instances the trust can use a % of the allocation towards its own administration costs and this is recognised in the Statement of Financial Activities.

**1.16 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGMENT**

Estimates and judgments 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.

There are no critical accounting estimates and assumptions which would have a material impact on the financial statements.

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

**2. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	<i>Total funds 2017 £</i>
Tangible fixed assets	-	-	-	-	3,984,399
Other current liabilities	-	-	-	-	(38,748)
	-----	-----	-----	-----	-----
Transfer on conversion	-	-	-	-	3,945,651
	-----	-----	-----	-----	-----
Capital Grants	-	-	195,328	195,328	514,842
	-----	-----	-----	-----	-----
	-	-	195,328	195,328	4,460,493
	=====	=====	=====	=====	=====
<i>Total 2017</i>	(38,748)	-	4,499,241	4,460,493	
	=====	=====	=====	=====	

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

**3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	4,934,551	4,934,551	4,250,567
Other DfE/ESFA Grants	-	319,094	319,094	290,634
Start up grant	-	-	-	374,000
	-	5,253,645	5,253,645	4,915,201
<b>Other government grants</b>				
Local authority Grants	-	79,461	79,461	26,716
	-	79,461	79,461	26,716
<b>Other funding</b>				
Trip income	150,110	-	150,110	128,809
Catering income	196,270	-	196,270	216,755
Other income	136,576	-	136,576	144,553
	482,956	-	482,956	490,117
	482,956	5,333,106	5,816,062	5,432,034
<i>Total 2017</i>	490,117	4,941,917	5,432,034	

**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Trading subsidiary income	554,220	-	554,220	476,687
<i>Total 2017</i>	476,687	-	476,687	

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

**5. BOARDING**

	2018 £	2017 £
<b>Income</b>		
Fee income	1,378,059	1,003,935
Other income	47,138	20,802
	1,425,197	1,024,737
<b>Expenditure</b>		
Goods and services	16,445	11,970
Other direct costs	47,636	757
Staff costs	789,143	608,283
Light and heat	130,363	130,358
Rent and rates	9,871	10,209
Insurance	7,567	12,868
Security and transport	-	5
Building maintenance	96,951	49,551
Other support costs	240,019	196,682
	(1,337,995)	(1,020,683)
<b>Surplus on Boarding</b>	87,202	(4,054)

**6. EXPENDITURE**

	Staff costs 2018 £	Premises 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Trading subsidiary costs	375,380	39,199	128,061	542,640	358,202
Funding for educational operations:					
Direct costs	3,604,781	176,430	572,208	4,353,419	4,117,185
Support costs	761,720	413,303	574,818	1,749,841	2,021,880
Provision of boarding:					
Direct costs	147,936	-	121,820	269,756	212,523
Support costs	641,459	237,185	189,595	1,068,239	808,160
	5,531,276	866,117	1,586,502	7,983,895	7,517,950
<b>Total 2017</b>	5,116,180	1,074,386	1,327,384	7,517,950	

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**7. ANALYSIS OF EXPENDITURE BY ACTIVITIES**

	Direct costs 2018 £	Support costs 2018 £	Total 2018 £	Total 2017 £
Funding for educational operations	4,353,419	1,749,841	6,103,260	6,147,796
Provision of boarding	269,756	1,068,239	1,337,995	1,020,683
<b>Total 2018</b>	<b>4,623,175</b>	<b>2,818,080</b>	<b>7,441,255</b>	<b>7,168,479</b>
<i>Total 2017</i>	<i>4,338,439</i>	<i>2,830,040</i>	<i>7,168,479</i>	

**Analysis of support costs**

	Funding for educational operations £	Provision of boarding: £	Total 2018 £	Total 2017 £
Staff costs	761,972	584,738	1,346,710	1,370,521
Depreciation	97,634	-	97,634	104,884
Premises costs	314,037	237,185	551,222	547,865
Other support costs	551,359	246,316	797,675	763,687
Technology costs	6,012	-	6,012	19,371
Governance costs	18,827	-	18,827	23,712
	<b>1,749,841</b>	<b>1,068,239</b>	<b>2,818,080</b>	<b>2,830,040</b>
<i>At 31 August 2017</i>	<i>2,021,880</i>	<i>808,160</i>	<i>2,830,040</i>	

**8. NET INCOME/(EXPENDITURE)**

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets: - owned by the charitable group	276,665	314,821
Auditor's remuneration - audit	14,350	14,000
Auditor's remuneration - other services	2,000	2,500
Operating lease rentals	26,471	19,832

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**9. STAFF COSTS**

**a. Staff costs**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>4,580,057</b>	4,155,613
Social security costs	<b>398,199</b>	365,084
Operating costs of defined benefit pension schemes	<b>505,506</b>	440,559
	<u><b>5,483,762</b></u>	<u>4,961,256</u>
Agency staff costs	<b>47,514</b>	154,924
	<u><b>5,531,276</b></u>	<u>5,116,180</u>

**b. Staff numbers**

The average number of persons employed by the free school during the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Teachers	<b>112</b>	87
Administration and support	<b>142</b>	96
Management	<b>8</b>	8
	<u><b>262</b></u>	<u>191</u>

**c. Higher paid staff**

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
In the band £60,001 - £70,000	<b>2</b>	0
In the band £70,001 - £80,000	<b>0</b>	1
In the band £80,001 - £90,000	<b>1</b>	0
In the band £100,001 - £110,000	<b>1</b>	1

**d. Key management personnel**

The key management personnel of the Free School comprise the Governors and the Executive Group as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by the Executive Group for their services to the Free School was £622,909 (2017: £546,399).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**10. GOVERNORS' REMUNERATION AND EXPENSES**

One or more Governors has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Governors only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Governors. The value of Governors' remuneration and other benefits was as follows:

		<b>2018</b>	<i>2017</i>
		<b>£</b>	<b>£</b>
M. Heywood	Remuneration	<b>100,000-105,000</b>	<i>100,000-105,000</i>
	Pension contributions paid	<b>15,000-20,000</b>	<i>15,000-20,000</i>

During the period ended 31 August 2018, travel and subsistence expenses totalling £38 were reimbursed or paid directly to 1 Governor (2017: £51 to 1 Governor).

**11. GOVERNORS' AND OFFICERS' INSURANCE**

The Free School has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on free school business, and provides cover up to £10,000,000. It is not possible to quantify the Governors and officers indemnity element from the overall cost of the RPA scheme.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Long-term leasehold property £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Assets under construction £</b>	<b>Total £</b>
<b>COST</b>						
At 1 September 2017	3,417,168	10,799	340,476	466,080	-	4,234,523
Additions	-	-	62,385	79,000	89,325	230,710
Disposals	-	-	(21,030)	(1,791)	-	(22,821)
At 31 August 2018	<u>3,417,168</u>	<u>10,799</u>	<u>381,831</u>	<u>543,289</u>	<u>89,325</u>	<u>4,442,412</u>
<b>DEPRECIATION</b>						
At 1 September 2017	27,337	1,080	78,056	207,982	-	314,455
Charge for the year	27,337	1,080	71,929	176,319	-	276,665
On disposals	-	-	(4,190)	(437)	-	(4,627)
At 31 August 2018	<u>54,674</u>	<u>2,160</u>	<u>145,795</u>	<u>383,864</u>	<u>-</u>	<u>586,493</u>
<b>NET BOOK VALUE</b>						
At 31 August 2018	<u>3,362,494</u>	<u>8,639</u>	<u>236,036</u>	<u>159,425</u>	<u>89,325</u>	<u>3,855,919</u>
At 31 August 2017	<u>3,389,831</u>	<u>9,719</u>	<u>262,420</u>	<u>258,098</u>	<u>-</u>	<u>3,920,068</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

<b>GROUP</b>	<b>2018 £</b>	<b>2017 £</b>
Computer equipment	-	76,601

The Royal School, Wolverhampton were granted a 125 year lease in respect of the land and buildings. It is therefore considered that the building will be held by the Free School for substantially the majority of its useful life and that substantially all the risks and rewards of ownership have been transferred to the Free School.

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**12 TANGIBLE FIXED ASSETS (continued)**

<b>FREE SCHOOL</b>	<b>Long-term leasehold property £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Assets under construction £</b>	<b>Total £</b>
<b>COST</b>						
At 1 September 2017	3,417,168	10,799	323,459	464,599	-	4,216,025
Additions	-	-	58,372	78,690	89,325	226,387
At 31 August 2018	<u>3,417,168</u>	<u>10,799</u>	<u>381,831</u>	<u>543,289</u>	<u>89,325</u>	<u>4,442,412</u>
<b>DEPRECIATION</b>						
At 1 September 2017	27,337	1,080	76,467	207,545	-	312,429
Charge for the year	27,337	1,080	69,328	176,319	-	274,064
At 31 August 2018	<u>54,674</u>	<u>2,160</u>	<u>145,795</u>	<u>383,864</u>	<u>-</u>	<u>586,493</u>
<b>NET BOOK VALUE</b>						
At 31 August 2018	<u>3,362,494</u>	<u>8,639</u>	<u>236,036</u>	<u>159,425</u>	<u>89,325</u>	<u>3,855,919</u>
At 31 August 2017	<u>3,389,831</u>	<u>9,719</u>	<u>246,992</u>	<u>257,054</u>	<u>-</u>	<u>3,903,596</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

<b>FREE SCHOOL</b>	<b>2018 £</b>	<b>2017 £</b>
Computer equipment	-	76,601

The Royal School, Wolverhampton were granted a 125 year lease in respect of the land and buildings. It is therefore considered that the building will be held by the Free School for substantially the majority of its useful life and that substantially all the risks and rewards of ownership have been transferred to the Free School.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. FIXED ASSET INVESTMENTS**

**VALUATION**

Enter details of valuation where values have been determined other than by reference to readily available market prices - User input

<b>FREE SCHOOL</b>	<b>Shares in group undertakings £</b>
At 1 September 2017 and 31 August 2018	<b>102</b>

**14. STOCKS**

	<b>GROUP</b>		<b>FREE SCHOOL</b>	
	2018 £	2017 £	2018 £	2017 £
Goods held for resale	<b>7,974</b>	5,306	<b>6,530</b>	4,513

**15. DEBTORS**

	<b>GROUP</b>		<b>FREE SCHOOL</b>	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	113,226	67,664	78,489	14,976
Amounts owed by group undertakings	-	-	114,193	321,680
Other debtors	65,766	55,529	65,516	53,707
Prepayments and accrued income	559,159	472,341	557,854	470,872
	<b>738,151</b>	595,534	<b>816,052</b>	861,235

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>GROUP</b>		<b>FREE SCHOOL</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net obligations under finance leases	<b>93,716</b>	87,212	<b>93,716</b>	87,212
Trade creditors	<b>88,915</b>	129,659	<b>80,703</b>	125,849
Corporation tax	-	42,104	-	-
Other taxation and social security	<b>90,516</b>	90,168	<b>90,516</b>	90,168
Other creditors	<b>231,486</b>	230,937	<b>231,088</b>	230,937
Accruals and deferred income	<b>564,819</b>	605,945	<b>563,914</b>	589,574
	<b>1,069,452</b>	1,186,025	<b>1,059,937</b>	1,123,740

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>GROUP</b>		<b>FREE SCHOOL</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net obligations under finance leases	<b>49,447</b>	143,163	<b>49,447</b>	143,163

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	<b>GROUP</b>		<b>FREE SCHOOL</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Between one and five years	<b>49,447</b>	143,163	<b>49,447</b>	143,163

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**18. GROUP STATEMENT OF FUNDS**

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 August 2018 £
<b>UNRESTRICTED FUNDS</b>					
Unrestricted funds	(245,378)	482,956	(617,061)	(10,694)	(390,177)
Boarding	-	1,425,197	(1,337,995)	(87,202)	-
Trading subsidiary	(35,494)	554,220	(540,039)	(2,601)	(23,914)
	<u>(280,872)</u>	<u>2,462,373</u>	<u>(2,495,095)</u>	<u>(100,497)</u>	<u>(414,091)</u>
<b>RESTRICTED FUNDS</b>					
General Annual Grant (GAG)	(57,969)	4,934,551	(4,813,580)	-	63,002
Other grants	-	398,555	(398,555)	-	-
	<u>(57,969)</u>	<u>5,333,106</u>	<u>(5,212,135)</u>	<u>-</u>	<u>63,002</u>
<b>RESTRICTED FIXED ASSET FUNDS</b>					
Restricted Fixed Asset Fund	4,208,751	195,328	(276,665)	100,497	4,227,911
Total restricted funds	<u>4,150,782</u>	<u>5,528,434</u>	<u>(5,488,800)</u>	<u>100,497</u>	<u>4,290,913</u>
Total of funds	<u><u>3,869,910</u></u>	<u><u>7,990,807</u></u>	<u><u>(7,983,895)</u></u>	<u><u>-</u></u>	<u><u>3,876,822</u></u>

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

- a. Restricted fixed assets were funded by government grants.
- b. The transfer between the Restricted General Annual Grant and Restricted Fixed Asset funds relates to the amounts expended on fixed assets from other funds.
- c. Unrestricted funds are available for use at the discretion of the Governors for the furtherance of the Free School's charitable objects.

Under the funding agreement with the Secretary of State, the free school was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**18. GROUP STATEMENT OF FUNDS (continued)**

**STATEMENT OF FUNDS - PRIOR YEAR**

	<i>Balance at 1 September 2016 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Balance at 31 August 2017 £</i>
<b>GENERAL FUNDS</b>					
Unrestricted funds	-	451,369	(830,449)	133,702	(245,378)
Boarding	-	1,024,737	(1,020,683)	(4,054)	-
Trading subsidiary	-	476,687	(358,202)	(153,979)	(35,494)
	<u>-</u>	<u>1,952,793</u>	<u>(2,209,334)</u>	<u>(24,331)</u>	<u>(280,872)</u>
<b>RESTRICTED FUNDS</b>					
General Annual Grant (GAG)	-	4,250,567	(4,308,536)	-	(57,969)
Start up grant	-	374,000	(374,000)	-	-
Other ESFA grants	(6,091)	290,634	(284,543)	-	-
Other restricted income	-	26,716	(26,716)	-	-
	<u>(6,091)</u>	<u>4,941,917</u>	<u>(4,993,795)</u>	<u>-</u>	<u>(57,969)</u>
<b>RESTRICTED FIXED ASSET FUNDS</b>					
Restricted Fixed Asset Funds - all funds	-	4,499,241	(314,821)	24,331	4,208,751
Total of funds	<u>(6,091)</u>	<u>11,393,951</u>	<u>(7,517,950)</u>	<u>-</u>	<u>3,869,910</u>

**19. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>Unrestricted funds 2018 £</b>	<b>Restricted funds 2018 £</b>	<b>Restricted fixed asset funds 2018 £</b>	<b>Total funds 2018 £</b>
Tangible fixed assets	-	-	3,855,919	3,855,919
Current assets	(414,091)	1,181,901	371,992	1,139,802
Creditors due within one year	-	(1,069,452)	-	(1,069,452)
Creditors due in more than one year	-	(49,447)	-	(49,447)
	<u>(414,091)</u>	<u>63,002</u>	<u>4,227,911</u>	<u>3,876,822</u>

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**19. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)**

**ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR**

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Restricted fixed asset funds</i>	<i>Total funds</i>
	2017	2017	2017	2017
	£	£	£	£
Tangible fixed assets	-	-	3,920,068	3,920,068
Current assets	(281,918)	1,272,265	288,683	1,279,030
Creditors due within one year	1,046	(1,187,071)	-	(1,186,025)
Creditors due in more than one year	-	(143,163)	-	(143,163)
	<u>(280,872)</u>	<u>(57,969)</u>	<u>4,208,751</u>	<u>3,869,910</u>

**20. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>GROUP</b>	
	2018	2017
	£	£
Net income for the year (as per Statement of Financial Activities)	<b>6,912</b>	3,876,001
<b>Adjustment for:</b>		
Depreciation charges	<b>276,665</b>	314,821
Donations of fixed assets on conversion	-	(3,984,399)
Acquisition of trading subsidiary on conversion	-	(10,769)
Loss on the sale of fixed assets	-	75,056
Increase in stocks	<b>(2,668)</b>	(5,306)
Increase in debtors	<b>(142,617)</b>	(593,066)
(Decrease)/increase in creditors	<b>(210,289)</b>	1,026,602
Capital grants from DfE and other capital income	<b>(195,328)</b>	(226,159)
<b>Net cash (used in)/provided by operating activities</b>	<b>(267,325)</b>	472,781

**21. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	<b>GROUP</b>	
	2018	2017
	£	£
Cash in hand	<b>393,677</b>	678,190
Total	<b>393,677</b>	678,190

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS**

The group's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff, a Multi-Employer Defined Benefit Pension Scheme and a Defined Contribution Pension Scheme for non-teaching staff. The latest actuarial valuation of the TPS related to the period ended 31 March 2012. Contributions amounting to £64,435 (2017: £59,492) were payable to the schemes at 31 August 2018 and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

**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 by the Department for Education on 9 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)
- 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 estate 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 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 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 TPS in the period amounted to £643,806 (2017: £355,054).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**23. OPERATING LEASE COMMITMENTS**

At 31 August 2018 the total of the group's future minimum lease payments under non-cancellable operating leases was:

<b>GROUP AND FREE SCHOOL</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>AMOUNTS PAYABLE:</b>		
Within 1 year	<b>27,974</b>	5,042
Between 1 and 5 years	<b>84,632</b>	-
Total	<b>112,606</b>	5,042

**24. MEMBERS' LIABILITY**

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

**25. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Governors have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

Owing to the nature of the free school's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the free school's financial regulations and normal procurement procedures.

The Royal Wolverhampton School Enterprises Limited - a wholly owned subsidiary company of The Royal School, Wolverhampton. All transactions are conducted at arm's length and in accordance with the Free School's financial regulations and normal procurement procedures.

Transactions totalling £138,502 (2017: £164,748) relating to salary and occupancy costs incurred on behalf of the lettings business were recharged to The Royal Wolverhampton School Enterprises Limited. There was an outstanding balance due to the Free School at 31 August 2018 of £114,193 (2017: £321,680).

**26. AGENCY ARRANGEMENTS**

The free school distributes bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2018 the trust received £2,400 (2017 - £nil) and disbursed £2,400 (2017 - £nil) from the fund. An amount of £nil (2017 - £nil) is included in other creditors relating to undistributed funds.

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**THE ROYAL SCHOOL, WOLVERHAMPTON**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**27. PRINCIPAL SUBSIDIARIES**

Subsidiary name	The Royal Wolverhampton School Enterprises Limited
Company registration number	04059224
Basis of control	Limited by shares
Equity shareholding %	100%
Total assets as at 31 August 2018	£ 99,896
Total liabilities as at 31 August 2018	£ 123,708
Total equity as at 31 August 2018	£ 23,812
Turnover for the year ended 31 August 2018	£ 554,220
Expenditure for the year ended 31 August 2018	£ 542,640
Profit for the year ended 31 August 2018	£ 11,580