

MERTON MUSIC FOUNDATION

(Company Limited by Guarantee)

Trustees' Report and Financial Statements

For the year ended 31 August 2007

Charity No 1004122

Company No 2590621 (England and Wales)



MERTON MUSIC FOUNDATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

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MERTON MUSIC FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

REFERENCE AND ADMINISTRATIVE DETAILS

Charity Number 1004122

Company Number 2590621 (England and Wales)

Registered Office MMF Office, Chaucer Centre, Canterbury Road, Morden, Surrey SM4 6PX

Telephone 020 8640 5446
Fax 020 8646 6990
E-mail admin@mmf.org.uk
Website www.mmf.org.uk

Auditors WSM Partners LLP, Chartered Accountants & Registered Auditors
Pinnacle House, 17-25 Hartfield Road, Wimbledon, London SW19 3SE

Bankers Lloyds TSB Bank plc, 83 High Street, Walton-on-Thames, Surrey KT12 1DU

Solicitors Bates, Wells and Braithwaite, 2-6 Cannon Street, London EC4M 6YH

Directors and Trustees

Chairman David Merriman
John Mander
Doreen Hewitt
Ian Newman
Hugh Wilson

Company Secretary John Mander

Principal Officers

Chief Executive John Mander
Associate Director Soo Bishop (Curriculum)
Associate Director Martin Stuart (Client Services)
Business Manager Julee Awoonor-Gordon
Finance Manager Julie Raper

Merton Music Foundation is a member of

Federation of Music Services
National Association of Music Educators
Music Education Council
Schools Music Association

Financially supported by

London Borough of Merton (LBM)
Department for Children, Schools and Families (DCSF)

MERTON MUSIC FOUNDATION

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2007

For Merton Music Foundation the year ending 31st August 2007 was a landmark year. What is a relatively small independent music charity had a very big vision for 2007.

The vision? To stage a top calibre music event on a world class stage. So it was that on 23rd April 2007 MMF "took over" the Royal Albert Hall to stage *"Music is for Life"*. Colleague Trustees and I were privileged to host the Mayor of London Borough of Merton, Councillor Geraldine Stanford, Stephen Hammond MP, numerous ward Councillors, Officers of the Council and other invited guests in a packed auditorium to a spectacular evening of instrumental music and singing.

Without doubt, the excitement and privilege of participating in such a prestigious and "highly charged" event will be an experience that more than 1,200 of the young contributors will retain for a lifetime. The musicians and singers were not only brilliant performers, but also excellent ambassadors for the Foundation, the Borough and also the various schools they represented.

This strategic event certainly exceeded its core objective, namely raising the profile of singing amongst young people – which is one of the principal strands running through the government's Music Manifesto.

That national government is now recognising the significant contribution music makes to a child's educational and social development is hugely encouraging. It is of particular encouragement to the staff, tutors and helpers at MMF who have, for many years, invested enormous amounts of time and energy in teaching and facilitating a love of music in pupils – from the novice to the most accomplished performer.

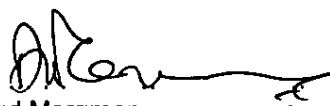
However, amidst all the excitement and encouragement, the numerous obligations and costs involved in running the Foundation continue to increase. The fact that government grants have remained static in real terms, means that unless inflationary increases are to be reflected in the future (and there is much "catching up" to be done in this regard), then the Foundation will be faced with some extremely hard decisions. As a member of the Federation of Music Services (FMS), Merton Music Foundation is appreciative of the ongoing efforts of the Federation to speak up for independent music services.

It is not only in the areas of music tuition and concert orientated work that MMF fulfils its objective. It is also in the provision of borough wide curriculum training and support for teachers within primary and secondary schools. Such work involves considerable expertise and great amounts of preparation. This is the face of the Foundation that is largely unseen by the public, but has been crucial in maintaining the high regard with which MMF is held amongst head teachers, council officers and indeed other music service providers.

There is no doubt that MMF continues to play a vital role in developing a broad music and arts service across the Borough of Merton. It is wonderful to see the thrill of young children experiencing live music for the first time. It is also rewarding for those delivering the service to know that the futures of the young people they teach are invariably transformed for the better, for having allowed music to influence their development.

All the Trustees are immensely grateful for the hard work and dedication undertaken by the Foundation's staff, tutors and volunteers. It is only through their commitment that MMF is the success it is today.

If there was certainty and growth regarding central funding, then the two elements, of dedicated human resources, and secure funding, could pave the way for even more imaginative and effective expansion of the Foundation's objectives - to the ultimate benefit of the borough it seeks to serve.



David Merriman
Chairman
Merton Music Foundation
7 January 2008

MERTON MUSIC FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2007

The trustees are pleased to present their report together with the financial statements of the charity for the year ended 31 August 2007

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the memorandum of association and the Statement of Recommended Practice - Accounting and Reporting by Charities

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The organisation is a charitable company limited by guarantee, incorporated on 12 March 1991 and registered as a charity on 11 September 1991. The company was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1.

Organisational structure

The Board of Trustees meets termly to manage the affairs of the charity. The Board consists of five directors, from a variety of professional backgrounds, who are responsible for the strategic direction and policy of the charity. The Chief Executive, who is also a trustee, manages the day-to-day operations of the charity, and has delegated authority, within terms of delegation approved by the trustee body, for operational matters including finance, employment and artistic related activity.

Directors/Trustees who served during the year

D R Hewitt	W I Newman
J R Mander	H C Wilson
D J Merriman	

Recruitment and appointment of Trustees

The directors of the company are also charity trustees for the purposes of charity law. It is the Board of Trustees' collective responsibility to ensure that the organisation is fit for purpose and to determine and support its strategic direction in order to enable it to attain its stated objectives. Members of the Board are normally re-elected at each Annual General Meeting. Retirement is by rotation with trustees, being eligible, offering themselves for re-election based on those who have been longest in office since their last appointment or reappointment. New appointments to the Board are made after completion of a trustee skills gap analysis. Recruitment is usually by recommendation with suitable business, education or charity experience sought. A curriculum vitae is required from the candidate and all new appointments have to be approved by existing Board members prior to their election at the next Annual General Meeting.

Trustee induction and training

New trustees are generally already familiar with the practical work of the charity. Their induction includes briefing them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction process, they meet key employees and the other trustees. All trustees are encouraged to attend appropriate external training events to develop their understanding of their roles as trustees. New trustees are also given relevant documentation including recent important documentation on music education, meeting minutes and annual reports.

Related parties

The charity works closely with the Friends of Merton's Young Musicians (Charity No 274493-R). FMYM is a thriving Parents' Association for our Merton Youth Music activities. The management committee meets termly to administer the affairs of the organisation, to arrange fundraising events and to help with concerts and other events. Through these efforts, some of the more expensive instruments we need have been purchased and contributions made towards the costs of sheet music and overseas tours. The Chief Executive serves in an ex-officio non-voting capacity on the management committee of FMYM.

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During the year, Merton Music Foundation was also a company member of Artsology (Charity No 1107168), a charity registered in December 2004 and set up by Merton Music Foundation, Richmond Music Trust and Sutton Youth Music Supporters Association. Artsology was responsible for the production of Making Waves in 2005. Following a review of the future of the charity by its members, Artsology was wound up in August 2007.

Risk Management

The Board of Trustees is responsible for the management of risks faced by the charity. Detailed considerations of risk are delegated to the Chief Executive, who is assisted by senior management staff of the charity. Risks are identified and assessed, and controls established, throughout the year. A formal review of the charity's risk management processes is undertaken annually. The key controls used by the charity include:

- Formal agenda for board meetings
- Comprehensive strategic planning, budgeting and management controls
- Establishing organisational structure and lines of reporting
- Formal written policies
- Hierarchical authorisation and approval levels

The MMF's Risk Management Policy was developed during the 2003-2004 financial year. The Policy is reviewed annually by the Board and updated as appropriate.

Nine key risk headings have been identified with areas such as:

- 1 Mission & Objectives – Activities and plans are compatible with the charity's Memorandum and Articles
- 2 Law & Regulations – Compliance with Health & Safety, SORP and Education Acts
- 3 Governance & Management – Communication, management team effectiveness, service performance
- 4 External Factors - Acts of God/adverse weather, loss of grants/changes to their use
- 5 Operational – Reputation of the charity, adverse impact on services, public relation issues
- 6 Personnel - Difficulties recruiting/training, staff unavailable for extended period
- 7 Environmental - Lease development, accommodation issues
- 8 Technological - Failure of key software and hardware
- 9 Financial - Financial controls, audit compliance, tax compliance

In accordance with the Policy:

- the MMF Board has responsibility for overseeing risk management within the Company,
- the Chief Executive has responsibility for reviewing the systems of internal control and ensuring that effective systems of control are maintained and operated, and
- the MMF's senior management team supports, advises and implements policies approved by the Board and is committed to adopting good risk management practice.

The Board last reviewed the updated Risk Assessment Control in January 2007. Particular attention was paid to the top risks identified and the proposed action plans to be implemented to address them. Many of the top risks remained unchanged from those detailed in the previous register, including financial pressures resulting from the fall in the value of income received from the Government's Standards Fund, which is channelled through local authorities and does not take into account the cost of inflation.

Through the risk management processes established for the charity, the trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is also recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

MERTON MUSIC FOUNDATION

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OBJECTIVES AND ACTIVITIES

Charitable objective

The principal object of the Merton Music Foundation is to *"advance musical education within the framework of the arts for the benefit of the public in the London Borough of Merton and elsewhere"*

There have been no changes in objectives since the last annual report

Our mission

Our mission is to encourage participation, enjoyment and achievement by providing the highest quality learning opportunities in music and the performing arts

Operational objectives

The benefits of music making for young people are well documented. Having the opportunity to learn a musical instrument, to experience singing and to perform with others is known to improve self-esteem, self-confidence and social skills, leading to positive attitudes to schooling and improved standards in music and the wider curriculum.

Our operational objectives are based on those of the Music Manifesto

- To provide every young person with 'first access' to a range of quality music experiences and learning
- To provide more opportunities for young people to deepen and broaden their musical interests and skills
- To identify and nurture our most talented young musicians
- To develop a world class workforce in music education
- To improve the support structures for young people making music

The strategies and activities employed to achieve the charity's objectives are divided up into four areas

Instrumental Music Programme

Merton Music Foundation's Instrumental Music Programme continues to form the backbone of the charity's operations with approximately 8,500 instrumental and vocal music lessons provided annually for young people and adults. The Foundation administers and co-ordinates the provision of instrumental music tuition between parents of pupils, professional musicians, and schools in the London Borough of Merton. Experienced tutors either in schools or at Merton Music Centre provide tuition. The choice of instruments offered at each school depends on the number of pupils who apply. If the instrument required is not taught at the child's school then lessons are provided at Merton Music Centre outside school hours. Group, shared or individual lessons can be requested, and there are choices for the length of lessons. Pupils are able to start with group lessons of three pupils (depending on the type of instrument). More advanced pupils progress to tuition on a shared or individual basis.

We offer tuition across the full range of instruments

- Brass - Trumpet, French Horn, Trombone, Euphonium, Tuba
- Strings - Violin, Viola, Cello, Double Bass
- Woodwind - Flute, Clarinet, Oboe, Bassoon, Saxophone
- Percussion
- Piano
- Electric Keyboard
- Recorder
- Guitar, Electric Guitar and Bass Guitar
- Voice
- Theory of Music

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To help support the charity's objectives the MMF provides an extensive instrumental loan service. The scheme, which is a key part of the Foundation's operations, generates much needed funding that is used to support the MMF's Trust Fund scheme. The scheme, which is overseen by the charity's Trustees, aims to support young people from disadvantaged backgrounds. Financial assistance towards the cost of music tuition and Youth Music membership is available to parents receiving various kinds of state support or who are from one-parent families. 'Special' cases are also supported by the scheme where possible. Instruments are loaned free of charge to pupils receiving Trust Fund assistance, with a small admin fee of £10.00 charged for the administrative costs of loaning instruments. Current stock consists of instruments purchased by the MMF, instruments donated by the London Borough of Merton, instruments purchased with the assistance of the Friends of Merton's Young Musicians and instruments donated by the public.

Merton Youth Music Programme

The Merton Music Foundation provides a range of music making activities as part of its Merton Youth Music Programme at Merton Music Centre, Canterbury Road, Morden. The Centre offers a structured progression of centrally run instrumental groups, bands, choirs, orchestras and ensembles. A termly membership fee is charged as a contribution towards the running costs of Merton Youth Music. Payment of this fee provides members with access to the Foundation's bands, choirs, orchestras and ensembles. Members may participate in more than one activity without further charge. Reductions are also available for families receiving MMF Trust Fund support and for second and subsequent children within families.

Activities take place on Monday and Wednesday evenings and on Saturday mornings. In addition to weekly or fortnightly rehearsals, regular opportunities are provided to perform in concerts arranged by MMF. Concerts involving all groups are given termly, with some of the more prestigious senior groups performing at other times and venues during the year. Pupils are encouraged to join the Foundation's training groups as soon as they have developed some elementary instrumental skills, usually within the first year of learning an instrument. When an appropriate standard has been reached members can progress to the Foundation's intermediate orchestras, bands, choirs and ensembles. For more advanced players the Foundation offers a range of senior groups including a Youth Concert Band and Youth Jazz Orchestra as well as a number of instrumental and vocal ensembles. Newsletters are published periodically by MMF for members and their Parents.

Merton Youth Music provides regular tours abroad for its senior groups. Not only are these of immense educational value but they also offer wider educational and social benefits such as the opportunity to forge firm friendships and promote international relationships. Groups also from time to time visit other parts of the country to attend music festivals and residential courses. These activities are important as they help the cohesion of the groups and contribute significantly to their performance standards. In addition, several senior groups have gained a national and international reputation, participating in prestigious events both at home and abroad.

Project Development Programme

Merton Music Foundation provides a varied programme of music-making initiatives that brings music into the lives of thousands of Merton children. Through its Project Development Programme, MMF provides a regular series of curriculum enhancing projects for Merton LA schools. The initiative, which is supported by the DCSF Standards Fund, Merton LA and MMF, enables schools to have regular access to high quality live music projects with experienced visiting professional musicians.

The charity has continued to expand its programme of 'Wider Opportunities' within Merton primary schools with the aim of developing opportunities to enhance Key Stage 2 provision. 388 children in 8 primary schools benefited from the programme, which enabled whole classes to make music with their class teacher together with musicians from the Foundation. Newly developed programmes included teaching whole-class trumpet and a vocal / choral programme. Of those involved in an instrumental project, 52% were boys and 48% were girls. Wider Opportunities grew out of the Government's pledge that "Over time, every primary school child that wants to, should have the opportunity of learning a musical instrument." The programme has a significant impact on pupils' musical achievements and their attainment and attitudes to learning across the curriculum.

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Another major development was the curriculum-based vocal project 'David and Goliath', part of the charity's 'Music is for Life' series of large-scale performance opportunities. The project was conceived and delivered as a 'Wider Opportunities' programme with over 1,000 primary pupils and their teachers receiving a series of 8 half day vocal workshops over the spring term culminating in a performance at London's Royal Albert Hall. A youth choir of 47 high school pupils also participated, receiving more than a term of weekly vocal sessions to prepare them for the performance.

Training Programme

Merton Music Foundation provides a wide range of services for schools as part of its Training Programme

- Advice on all aspects of music education
- Professional development courses for classroom and instrumental teachers
- Termly meetings for teachers involved in Music Education to share expertise and information
- Publications, leaflets and reports on Music Education
- Regular newsletters and information on services provided by the MMF

ACHIEVEMENTS AND PERFORMANCE

The 2007-08 financial year has seen significant achievements in each of the charity's four programmes of activity. The general performance of the charity continues to demonstrate positive trends against the objectives set for the financial year.

Instrumental Music Programme

The main features

- The number of tuition hours provided in schools increased by 2.8% from 496 to 510 hours per week
- The number of students receiving music/vocal tuition increased by 0.8% from 1472 to 1484
- Over the year 8,520 music lessons were delivered in schools and at the Music Centre, a 3.7% decrease on last year
- The differential between girls and boys learning to play a musical instrument was only 8%, with 54% girls and 46% boys learning a musical instrument
- 61% of those learning were taught on an individual basis (20 or 30-minute lessons), 17% were taught in shared lessons and 22% were taught in groups of three or more
- The average number of pupils benefitting from the MMF's Trust Fund dropped slightly with 209 remitted tuition places (last year 212)
- The number of instruments on hire during the year increased to 289. This was a 15% increase on last year providing much needed additional funds to support the charity's Trust Fund remission scheme.

Merton Youth Music Programme

The main features

- 18 ensembles were provided for musicians to perform in. These included an orchestra, 3 concert bands, 2 jazz orchestras, 2 choirs and 8 instrumental ensembles of varying sizes
- Current membership of Merton Youth Music reached 400 with total membership of ensembles reaching 550
- An open 'Hands-On' day was held on Saturday 14th October 2006, providing the opportunity for over 100 children to try out musical instruments under the guidance of MMF's tutors. A further 'Hands-On' day was held on Saturday 28th April 2007.

Our bands, orchestras, choirs and ensembles were involved in a number of significant events during the year

- Music for Youth Primary Proms at the Royal Albert Hall (13 October 2006)
Merton Youth Jazz Orchestra
- Lawn Tennis Writers' Association Dinner & Dance at the Hurlingham Club
Merton Youth Jazz Orchestra
- Mayor of Merton's Carol Service at the Sacred Heart Church (8 December 2006)

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- Christmas Junior Concert at Ricards Lodge High School (9 December 2006)
- Christmas Senior Concert at Raynes Park High School (13 December 2006)
- Music for Youth Regional Festival, Morley College, London (1 March 2007)
Merton Youth Jazz Orchestra entry
- Music For Youth Regional Festival, Brentwood Ursuline High School, Essex (10 March 2007)
Merton Youth Concert Band entry
- A Charity Jazz Evening! MYJO/MYJO 2 in an evening of jazz and big band music (21 March 2007)
- Spring Junior Concert at Ricards Lodge High School (31 March 2007)
- 'Music is for Life 2007!', Royal Albert Hall (23 April 2007)
All bands, Young Voices, Youth Singers, Youth String Ensemble and MYJO
- JazzDinnerDance (Organised by FMYM - A Registered Charity) (5 May 2007)
Merton Youth Jazz Orchestra at a Gala Evening of Jazz, Dinner and Dance
- Wimbledon Tennis Championships Merton Youth Concert Band (5 July 2007)
- Wimbledon Tennis Championships Merton Youth Jazz Orchestra (6 July 2007)
- MMF Gala Concert at Fairfield Halls, Croydon (8 July 2007)

Training Programme

The main features

- 89 teachers and school staff received training through the charity's 'Music is for Life 2007' RAH project, which included a professional development strand for participating schools
- 3 Professional Development courses were provided for classroom and instrumental teachers
- 3 termly meetings were provided for Primary Music Co-ordinators in Merton schools to share expertise and information
- 2 one-day meetings were provided for Heads of Music and music teachers from secondary schools in Merton and Sutton LAs (joint LA meetings)
- Merton Leading Teachers Network received a half day of music training, linking with literacy and numeracy
- 11 schools received 'bespoke' INSET and/or curriculum support from the charity's associate director for curriculum
- 4 teachers received additional ongoing support from The Voices Foundation in their role as Local Advisory Teachers
- The Local Advisory Teachers team provided guidance in the development of phase 1 of 'Sound Ideas', MMF's new suggested programmes of study for primary music
- Over 30 school staff received on-going support and training throughout 2006/07 provided through MMF's teachers' choir, The Merton Schools Adult Singers
- 4 schools received 'bespoke' INSET and/or curriculum support from Merton's AST for music (line-managed by MMF)
- Various publications, leaflets and reports on music education were sent to schools
- Telephone advice on various aspects of music education was provided for schools and the public

Project Development Programme

The main features

- 1 large-scale curriculum project was provided free of charge for schools - 'Music is for Life 2007' (23 April 2007), at the Royal Albert Hall
- 23 primary schools and 5 secondary schools took up invitations to participate in 'Music is for Life 2007' The primary and youth choirs totalled around 1,050 pupils in addition to over 200 junior and youth musicians from the concert bands, jazz and string groups
- 9 instrumental workshop visits were provided free of charge for schools
- 15 KS2 classes (approx 390 children) from 8 Merton primary schools took part in Wider Opportunities programmes during the 2006-07 financial year
- A new vocal workshop, 'Sing Out', introduced as part of MMF's Strategy for Development, provided half days of singing to 400+ secondary and approx 150 primary pupils
- The charity funded the purchase of 'Soundbeams', an IT resource to help facilitate music-making with severely disabled pupils at St Ann's Special School The music coordinator at the school has received specialist training on the programme, which will be incorporated into a future performance project planned for 2007/08

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PLANS FOR THE FUTURE

To develop our charity's programmes, we have prioritised four strategic aims for the 2007-08 year

1. Raising the profile of MMF

- To raise the profile of the MMF and its four music education programmes through the development of new publicity literature that advocates involvement in the charity's activities
- To complete the re-branding of Merton Music Foundation as part of this ongoing process
- To introduce a new series of bursary awards that will promote and enhance the charitable aspects of the Foundation's operations
- To update the MMF's website with new information on the charity's operations, secure customer payment facilities and dedicated areas for parents and teachers to use
- To develop and implement a strategy for music education in Merton Primary Schools for 2008-2011

2 Increasing access, breadth and opportunity

- To increase the number of students using our Instrumental Music Programme through improved advertising and coordinated links with wider Opportunities programmes
- To increase the number of students commencing tuition in shortage instrumental areas
- To increase the number of students using our Merton Youth Music Programme
- To provide a European tour for senior members of our Youth Music Programme
- To increase the number of children involved in music making activities through our Project Development Programme, including the delivery of another Music *is* for Life concert during the year
- To increase the number of classroom teachers and instrumental tutors receiving professional development through our Training Programme
- To initiate and develop creative educational partnerships with local and regional arts providers, including the Polka Theatre, New Wimbledon Theatre and London orchestra education departments
- To further expand training provision and consultancy advice services for schools

3. Increasing resources and achieving our financial targets

- To secure continuing funding from the DCFS for MSF grants for 2008-2011
- To lobby the DCFS, through external music organisations, to secure new funding that will place MMF on a financial footing equal to other national music services
- To continue lobbying London Borough of Merton to re-invest in MMF at a level equivalent to other London music services, including the removal of accommodation charges
- To secure funding from the DCFS to purchase new musical instruments and replace damaged and worn-out stock
- To begin to move towards true cost recovery from the local authority and schools using Wider Opportunities programmes (25% for 2007-08 and 50% for 2008-09)
- To promote and enhance the charitable aspects of the Foundation's operations seeking new ways of securing charitable funds

4 Developing our staffing structure

- To review the personnel structure of the charity and to identify priorities to support future developmental growth
- To appoint a new full-time Deputy Director responsible for leading and managing the charity's Instrumental and Youth Music programmes
- To review administrative and management systems and to put in place procedures for monitoring and improving quality of service provision
- To strengthen our instrumental/vocal workforce with contractual changes that will lead to improved quality and provision of peripatetic services for schools
- To develop a Wider Opportunities workforce with the necessary skills and experience to deliver a first-class progressive programme of instrumental / vocal tuition (from first access onwards)
- To provide professional development opportunities that will develop our workforce capabilities
- To develop workforce capability to deliver the objectives and outcomes of the new national primary singing initiative 'Sing Up'

MERTON MUSIC FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2007

FINANCIAL REVIEW

Income for the year was £848,826 in comparison with £798,674 for the previous year, an increase of 6.3%. Donations at £11,903 were down from £35,194, largely due to the significant input this area received last year by MMF being the Mayor of Merton's nominated charity. Grants from the Government's Music Standards Fund (MSF) and Merton Local Authority increased from £286,105 in 2006 to £304,090. This was largely due to funds received from the introduction of MSF Grant 116b, a grant aimed at increasing instrumental and vocal opportunities for Primary school aged pupils at Key Stage 2. Income, from music tuition, Music Centre fees and other similar income streams, was up by 11.5% at £527,850, principally as a result of increased income from fees and a growth in numbers using the charity's services. Investment income showed a return of £4,983 on MMF's short-term deposits, 26.4% up on last year. Overall total income on a comparable basis to last year rose by 6.3%, primarily due to the effect of increases in grant income and tuition fees.

Expenditure for the year was £854,179 in comparison with £845,050 for 2006, an increase of 1.1%. Cost of activities in furtherance of the charity's objectives was £799,574 and Governance costs were £54,605. The proportion of expenditure accounted for by charitable expenditure was over 93%, showing how efficiently the charity operates. Taking into account income and expenditure, the charity realised a deficit of £5,353 for the year before revaluations and investment asset disposals. This compares with a deficit of £46,376 in 2006.

Overall, the result for the year was a little better than our expectations. However, the 2006-07 financial year has continued to be a challenging time financially for MMF. The MSF grants received from the DCFS do not take into account the cost of inflation and this is particularly difficult for MMF, which now relies heavily on central government funding. It is estimated that in real terms this funding has reduced in value by 25% since the grant was first introduced back in 1999, contributing to MMF's underfunding by an estimated £58K.

Similarly, the anomalies between funding levels from one local authority to another have meant that Merton continues to receive substantially less funding for its music service provision than many other local authorities do. This unfairness of distribution of public money, which was exasperated by the local authority cuts of the 1990s, has left MMF in a position where it is now significantly underfunded in comparison with other music services in the UK. Had the local authority protected its grant funding of MMF in 1996, the charity today would be in a much more financially secure position, with a grant income from the DCFS worth some £200K more than it receives now.

Against this backdrop of ever tightening resources and continuing concerns over funding, the trustees have had to continue to move forward with the development of the charity's services and the ever-increasing expectations of Government with the expansion of 'Wider Opportunities'. This has included a third year of programmes and more staff recruited to deliver these new services to schools. The year has also seen the development of a major new performance project for over 1,000 KS2 pupils, culminating in a high profile concert at the Royal Albert Hall. All of this is reflected in the increased expenditure by the charity in its operations and higher employment costs incurred during the year.

Clearly, much still needs to be done to secure funds to rectify the imbalance of resources by the Local Authority and Government. One area where a key saving could be made is the removal of accommodation charges by Merton Local Authority (£58K). The value of this is now equivalent to the value of inflation costs that are being lost from our MSF grant year-on-year. Originally, Merton introduced this charge so that it could generate new match funding to secure a MSF grant from the Government. In recent years, the DfES (now DCFS) has removed this match-funding requirement from local authorities and grants are now allocated on a 100% basis. Unfortunately, Merton has continued to charge MMF for its accommodation despite requests for it to cease this practice. It would be good to see this issue rectified by the local authority during the coming year.

We also very much look forward to the Government addressing the issue of some local authorities receiving substantially more than others do to fund their music education provision. This is a practice that is both unfair and inequitable, and is resulting in an uneven distribution of resources across the country leading to what is fast becoming a postcode lottery for music education. Again, we look forward to this funding issue being resolved by the Government in the not too distant future.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2007

Reserves Policy

The trustees have reviewed the charity's needs for reserves and agreed a reserves policy in line with the guidance issued by the Charity Commission

It is the policy of the charity to seek to maintain unrestricted funds, which are the free reserves of the charity, at a level, which equates to at least one-month's unrestricted expenditure. Over time, the charity seeks to build up reserves equivalent of three months' operating costs, in order for the charity to be able to meet unexpected demands during difficult periods

MMF's reserves policy is to maintain a sufficient level of reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. The policy is reviewed annually by the Trustees

Investment Policy

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the trustees see fit

The grant from the Government's Department for Education and Skills 'Standards Fund' is specifically allocated to the expansion and development of the Foundation's music education services

The charity has a policy to keep any surplus liquid funds in an interest bearing deposit account and seek to achieve a rate of interest, which matches or exceeds inflation. From time to time short-term deposits are deposited weekly or monthly on Treasury depending on the availability of reserves and having regard to the liquidity requirements of operating the Foundation

MERTON MUSIC FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2007

Trustees' responsibilities in relation to the Financial Statements

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The trustees are responsible for keeping accounting records, which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

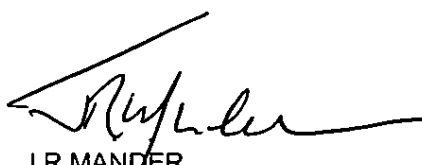
Disclosure of information to auditors

To the knowledge and belief of the Trustees, there is no relevant information that the company's auditors are not aware of, and the Trustees have taken all the steps necessary to ensure the Trustees are aware of any relevant information, and to establish that the company's auditors are aware of the information.

Auditors

A resolution will be proposed at the Annual General Meeting that WSM Partners LLP be re-appointed auditors to the charity.

Approved by the trustees on 7 January 2008 and signed on its behalf by



J R MANDER
Company Secretary

MERTON MUSIC FOUNDATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERTON MUSIC FOUNDATION

We have audited the financial statements of Merton Music Foundation for the year ended 31 August 2007, which comprise of the Statement of Financial Activities (including the Income and Expenditure Account), the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of Merton Music Foundation for the purposes of company law) responsibilities for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Trustees is consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit or if information specified by law regarding the trustees' remuneration and other transactions is not disclosed.

We read the Report of the Trustees and consider the implications for our report if we become aware of any apparent misstatements with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

MERTON MUSIC FOUNDATION
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERTON MUSIC FOUNDATION

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charity's affairs as at 31 August 2007 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the information given in the Report of the Trustees is consistent with the financial statements

WSM Partners LLP
Registered Auditors and Chartered Accountants

Pinnacle House
17-25 Hartfield Road
Wimbledon
London
SW19 3SE

17/03/08

WSM Partners LLP

MERTON MUSIC FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2007 (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

	<i>Notes</i>	<i>Unrestricted funds</i>	<u>2007</u>	<u>2006</u>
INCOMING RESOURCES				
Incoming resources from charitable activities				
Donations	2	11,903	11,903	35,194
Grants receivable	2	304,090	304,090	286,105
In furtherance of the charity's objectives	3	527,850	527,850	473,433
Income resources from generated funds				
Investment income	4	4,983	4,983	3,942
TOTAL INCOMING RESOURCES		848,826	<u>848,826</u>	<u>798,674</u>
RESOURCES EXPENDED				
Charitable expenditure				
Cost of activities in furtherance of the charity's objectives	5	799,574	799,574	787,120
Governance costs	6	54,605	54,605	57,930
TOTAL RESOURCES EXPENDED	7	854,179	<u>854,179</u>	<u>845,050</u>
Net outgoing resources before revaluations and investment asset disposals		(5,353)	(5,353)	(46,376)
Total funds brought forward		65,106	65,106	111,482
TOTAL FUNDS CARRIED FORWARD		59,753	<u>59,753</u>	<u>65,106</u>

All of the results relate to continuing activities

All movements are in unrestricted funds

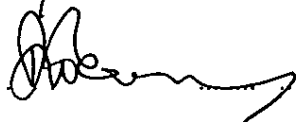
The charity has no recognised gains or losses other than the results for the year as set out above

MERTON MUSIC FOUNDATION

BALANCE SHEET AT 31 AUGUST 2007

	<u>Notes</u>	<u>2007</u> £	<u>2006</u> £
FIXED ASSETS			
Tangible assets	11	24,582	32,027
CURRENT ASSETS			
Stock	12	1,315	1,753
Debtors	13	32,298	35,279
Cash at bank and in hand		83,764	60,725
		<u>117,377</u>	<u>97,757</u>
Creditors: amounts falling due within one year	14	(82,206)	(64,678)
NET CURRENT ASSETS		<u>35,171</u>	<u>33,079</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>59,753</u>	<u>65,106</u>
FUNDS			
Unrestricted funds	15	<u>59,753</u>	<u>65,106</u>

Approved by the trustees on 7 January 2008 and signed on their behalf

J R MANDER

D J MERRIMAN

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2007

1 ACCOUNTING POLICIES

The principal accounting policies which are adopted consistently in the preparation of the financial statements are set out below

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and are in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued in February 2005, applicable accounting standards in the United Kingdom and the Companies Act 1985

b) Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

c) Incoming resources

Incoming resources represent tuition fees and income from concerts and tours, hire of instruments, subscriptions, inset and others rendered during the year. Donations and other income are included in the year in which they are received

As the company's principal activity is to provide music education, it is exempt from Value Added Tax and does not recover Value Added Tax on its expenditure

d) Resources expended

Resources expended are recognised in the year in which they are incurred. Resources expended include attributable Value Added Tax which cannot be recovered

Expenditure for charitable purposes

Direct charitable expenditure includes all expenditure directly related to the objectives of the charity and comprises the costs of providing instrumental tuition, tours and concert performances and education and community projects undertaken by the charity and is accounted for when payable. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities

Governance costs

Governance costs represent expenditure incurred in the management of the company's assets, organisational administration and compliance with constitutional and statutory requirements

e) Tangible fixed assets and depreciation

Tangible fixed assets are included in the balance sheet at cost or at market value at the date of the gift

Depreciation is provided on all tangible fixed assets at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are

Music and instruments	25%	on reducing balance basis per annum
Office equipment	25%	on reducing balance basis per annum
Computer equipment	25%	on reducing balance basis per annum

f) Stocks

Stock and work in progress is valued at the lower of cost and estimated net realisable value

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2007

1 ACCOUNTING POLICIES (CONTINUED)

g) Pension scheme

The charity contributes to the Teachers Pension Scheme on behalf of the teaching staff and also contributes to defined contribution pension schemes which have been arranged by four members of staff, who are not eligible to join the Teachers' Pension Scheme

Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year

h) Hire purchase and lease transactions

Rentals under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease

i) Fund accounting

The funds held by the charity are either

- *Unrestricted general funds* - these are funds which can be used in accordance with the charitable objects at the discretion of the trustees
- *Designated funds* - these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects

j) Grants receivable

Grants receivable and local authority fees are credited to the statement of financial activities in the period to which they relate. Deferred income represents amounts received in respect of the future periods

k) Taxation

As the company is a registered charity, it is exempt from corporation tax on its charitable activities

Gift Aid Donations are received net of tax and credited to the appropriate fund in the year received. The tax credit recoverable from the Inland Revenue is also credited to the appropriate fund when received

2 DONATIONS, LEGACIES AND SIMILAR INCOMING RESOURCES

		<u>2007</u> £	<u>2006</u> £
Donations			
Donations		<u>11,903</u>	<u>35,194</u>
Grants receivable			
Music Education Services	- Standards Fund grant	231,840	199,055
	- LBM Accommodation grant	<u>66,250</u>	<u>66,250</u>
		298,090	265,305
London Borough of Merton		<u>6,000</u>	<u>20,800</u>
		<u>304,090</u>	<u>286,105</u>
Total		<u><u>315,993</u></u>	<u><u>321,297</u></u>

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

3 ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTIVES

	<u>2007</u> £	<u>2006</u> £
Tuition fees	429,411	373,790
Hire of instruments	18,632	18,671
Music centre subscriptions	29,448	25,013
Concert and tour receipts	40,110	43,398
Fees - inset	5,400	3,550
Other income	4,440	8,808
Hire - repairs to instruments	409	203
	<u>527,850</u>	<u>473,433</u>

4 INVESTMENT INCOME

	<u>2007</u> £	<u>2006</u> £
Bank interest receivable	<u>4,983</u>	<u>3,942</u>

5 COSTS OF ACTIVITIES IN FURTHERANCE OF CHARITY'S OBJECTIVES

Provision of charitable services:

	<u>Total</u> <u>2007</u> £	<u>Total</u> <u>2006</u> £
Instrumental tuition	352,312	312,180
Youth music programme	168,891	166,023
Tours and concerts	51,100	87,824
Professional advice and support to schools	23,792	32,210
CPD training	19,759	27,495
Project development	128,395	104,316
Instrument hire and repair	55,325	57,072
	<u>799,574</u>	<u>787,120</u>

Analysis of provision of charitable services:

	<u>Staff</u> <u>costs</u> £	<u>Other</u> <u>direct</u> <u>costs</u> £	<u>Depreciation</u> £	<u>Allocated</u> <u>other</u> <u>costs</u> £	<u>Total</u> <u>2007</u> £	<u>Total</u> <u>2006</u> £
Instrumental tuition	51,480	285,426	-	15,406	352,312	312,180
Youth music programme	79,262	86,108	-	3,521	168,891	166,023
Tours and concerts	37,800	9,779	-	3,521	51,100	87,824
Professional advice and support to schools	23,077	715	-	-	23,792	32,210

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

CPD training	17,558	-	-	2,201	19,759	27,495
Project development	64,450	61,744	-	2,201	128,395	104,316
Instrument hire and repair	38,140	3,530	4,852	8,803	55,325	57,072
	<u>311,767</u>	<u>447,302</u>	<u>4,852</u>	<u>35,653</u>	<u>799,574</u>	<u>787,120</u>

6 GOVERNANCE COSTS

	<i>Staff costs</i>	<i>Other direct costs</i>	<i>Depreciation</i>	<i>Allocated other costs</i>	<i>Total 2007</i>	<i>Total 2006</i>
	£	£	£	£	£	£
Salaries	30,026	-	-	-	30,026	30,842
Pension costs	3,020	-	-	-	3,020	1,096
Audit fees	-	4,664	-	-	4,664	4,935
Bookkeeping	-	3,290	-	-	3,290	6,640
Professional and legal fees	-	78	-	-	78	80
Bank charges	-	1,658	-	-	1,658	1,675
Sundries	-	165	-	-	165	50
Depreciation	-	-	3,341	-	3,341	4,455
Allocated support costs	-	-	-	8,363	8,363	8,157
	<u>33,046</u>	<u>9,855</u>	<u>3,341</u>	<u>8,363</u>	<u>54,605</u>	<u>57,930</u>

7 TOTAL RESOURCES EXPENDED

	<i>Staff costs</i>	<i>Other direct costs</i>	<i>Depreciation</i>	<i>Allocated other costs</i>	<i>Total funds 2007</i>	<i>Total funds 2006</i>
	£	£	£	£	£	£
Direct charitable expenditure	311,767	447,302	4,852	35,653	799,574	787,120
Governance costs	33,046	9,855	3,341	8,363	54,605	57,930
	<u>344,813</u>	<u>457,157</u>	<u>8,193</u>	<u>44,016</u>	<u>854,179</u>	<u>845,050</u>

8 STAFF NUMBERS AND COSTS

	<i>2007</i>	<i>2006</i>
	£	£
Staff costs:		
Wages and salaries	287,595	288,595
Social security costs	20,887	21,366
Other pension costs	31,517	31,048
	<u>339,999</u>	<u>341,009</u>

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

The average number of full-time equivalent employees (including casual and part time staff) during the year was as follows

	<u>2007</u> <u>Number</u>	<u>2006</u> <u>Number</u>
Trading operations	17	17

No employees received remuneration of more than £60,000

No remuneration or reimbursed expenses were paid to any of the trustees during the year in their capacity as trustees (2006 £nil)

9 NET OUTGOING RESOURCES FOR THE YEAR

This is stated after charging

	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
Staff pension contributions	31,517	31,048
Depreciation	8,193	10,675
Auditors' remuneration as auditors	4,465	4,465
other services	199	470

10 TAXATION

The charity is exempt from corporation tax on its charitable activities

11 TANGIBLE FIXED ASSETS

	<u>Computer equipment</u> <u>£</u>	<u>Office equipment</u> <u>£</u>	<u>Music and instruments</u> <u>£</u>	<u>Total</u> <u>£</u>
Cost:				
At 1 September 2006	25,596	22,047	58,968	106,611
Additions	-	-	748	748
At 31 August 2007	<u>25,596</u>	<u>22,047</u>	<u>59,716</u>	<u>107,359</u>
Depreciation:				
At 1 September 2006	18,251	16,026	40,307	74,584
Provision for the year	1,836	1,505	4,852	8,193
At 31 August 2007	<u>20,087</u>	<u>17,531</u>	<u>45,159</u>	<u>82,777</u>
Net book value:				
At 31 August 2007	<u>5,509</u>	<u>4,516</u>	<u>14,557</u>	<u>24,582</u>
At 1 September 2006	<u>7,345</u>	<u>6,021</u>	<u>18,661</u>	<u>32,027</u>

12 STOCKS

	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
Stock	1,315	1,753

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

13 DEBTORS

	<u>2007</u> £	<u>2006</u> £
Trade debtors	6,430	7,275
Other debtors	25,868	28,004
	<u>32,298</u>	<u>35,279</u>

14 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2007</u> £	<u>2006</u> £
Trade creditors	22,512	37,754
Other tax and social security	6,670	7,022
Accruals and deferred income	53,024	19,902
	<u>82,206</u>	<u>64,678</u>

15 UNRESTRICTED FUNDS

	<u>Balance at 1 September</u>	<u>Incoming resources</u>	<u>Resources expended</u>	<u>Transfers</u>	<u>Balance at 31 August</u>
General fund	65,106	848,826	(854,179)	-	59,753

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<u>Unrestricted funds</u> £	<u>2007</u> £	<u>2006</u> £
Fund balances at 31 August 2007 are represented by			
Tangible fixed assets	24,582	24,582	32,027
Other net current assets	35,171	35,171	33,079
	<u>59,753</u>	<u>59,753</u>	<u>65,106</u>

17 LEASING COMMITMENTS

Operating leases

The company's annual commitments for rental payments under non-cancellable operating leases at 31 August 2007 were as set out below

	<u>Land and buildings</u> £	<u>2007 Other</u> £	<u>Land and buildings</u> £	<u>2006 Other</u> £
Operating leases which expire				
Within two to five years	-	2,044	-	2,047

MERTON MUSIC FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

18 RELATED PARTY TRANSACTIONS

During the year, J R Mander was employed by the charity as Chief Executive Officer J R Mander is also a member of the board of trustees

19 COMPANY LIMITED BY GUARANTEE

The liability of the members is limited Every member undertakes to contribute an amount not exceeding £1 to the assets of the company, in the event of the company being wound up whilst they are a member, or within one year after ceasing to be a member, for the payment of the debts and liabilities of the company contracted before ceasing to be a member

20 PENSION COSTS

Teaching staff employed by the charity are eligible for membership of the Teachers' Pension Scheme, which is a national, statutory contributory, unfunded defined benefit scheme administered by the Teachers' Pension Agency, an executive agency of the Department of Educational and Employment Pension costs are assessed in accordance with the advice of the Government Actuary Contributions are paid in accordance with the rules of the Teachers' Pension Agency From 1 April 2003, the employer contribution rate was 13.5%

Four members of staff who are not eligible to join the Teachers' Pension Scheme participate in a defined contribution scheme to which the charity contributes

21 CONTROL

The charity was under the control of the board of trustees throughout the current and previous year