

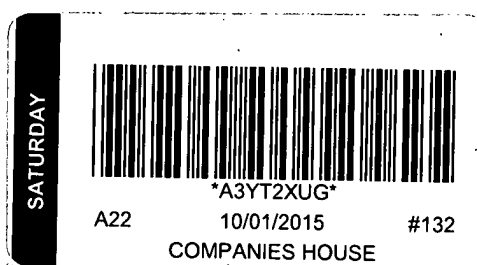
REGISTRAR OF COMPANIES

The Chelsea Academy (A Science Academy)

Annual Report and Financial Statements

31 August 2014

Company Limited by Guarantee
Registration Number
06176090 (England and Wales)



Contents

Reports

Reference and administrative information	1
Governors' report	3
Governance statement	12
Statement of regularity, propriety and compliance	16
Statement of Governors' responsibilities	17
Independent auditor's report on the financial statements	18
Independent reporting accountant's report on regularity	20

Financial statements

Statement of financial activities	22
Balance sheet	23
Cash flow statement	24
Principal accounting policies	25
Notes to the financial statements	29

Reference and administrative information

Members London Diocesan Board for Schools
The Royal Borough of Kensington and Chelsea

Governors Mrs Sarah Arkas (resigned 10 October 2013)
Councillor Elizabeth Campbell (Chair as of 20 March 2014)
Councillor Merrick Cockell (*) (resigned 10 October 2013)
Mrs Jill Coughlan (resigned 10 October 2013)
Dr Rodney Eastwood (*)
Mr Tim Gilchrist (*) (appointed 10 October 2013)
Revd Rob Gillion (resigned 10 October 2013)
Ms Charlotte Harrison (appointed 1 September 2013 and resigned 31 August 2014)
Mr Robert Hingley (*)
Ms Diana Huntingford
Mr Gareth Jones (*) (resigned 10 October 2013)
Revd Brian Leathard (appointed 7 March 2014)
Mr Barnaby Lenon
Councillor Jonathan Read (appointed 10 October 2013 and resigned 24 November 2014)
Ms Kate Roskell (from 1 February 2014)
Mr William Salomon (*)
Lady Sarah Sassoon
Ms Josephine Scorer (appointed 1 December 2014)
The Venerable Stephan Welch (Chair) (resigned 20 March 2014)
Mr Matt Williams (appointed 1 September 2014)

() Member of the Business Operations Committee*

Company Secretary Mr M Boyle

Senior Management Team (at 31 August 2014)

Acting Principal	Charlotte Harrison
Acting 1 st Vice Principal	Tom Cragg
Vice Principal	Hannah Blake
Assistant Principal	Sabrina Broadbent
Assistant Principal	Rebecca Gonyora
Acting Assistant Principal	Georgina Michaelides
Assistant Principal	Holly Power
Acting Assistant Principal	Michelle Vellacott
Director of Finance & Operations	Mike Boyle

Reference and administrative information

Registered address	Lots Road London SW10 0AB
Company registration number	06176090 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	HSBC Bank Plc 92 Kensington High Street London W8 4SH
Solicitors	Winckworth Sherwood LLP 5 Montague Close London SE1 9BB

Governors' report Year to 31 August 2014

The Governors of The Chelsea Academy (A Science Academy) ('the Academy') present their annual report together with the financial statements and the auditor's report of the charitable company for the year to 31 August 2014. The annual report serves the purposes of both a Governors' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 25 to 28 of the attached financial statements and comply with the Academy's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005').

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy is a company limited by guarantee with no share capital (company registration no. 06176090) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The sponsors of the Academy are the London Diocesan Board for Schools (LDBS) and the Royal Borough of Kensington and Chelsea (RBKC). The Governors of Chelsea Academy (A Science Academy) are also the directors of the charitable company for the purposes of company law and trustees for the purposes of charity law. The charitable company is known as Chelsea Academy.

Details of the Governors who served throughout the year are included in the Reference and Administrative Information 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

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,363 (2013 - £1,188).

Principal activities

The objects of the charitable company, as set out in the memorandum of association, are to advance, for the public benefit, education in the United Kingdom, in particular by establishing, maintaining, operating and developing a Church of England school, offering a broad curriculum with a strong emphasis on, but not limited to, the Sciences, conducted in accordance with the principles and practices of the Church of England.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Governors

The Governors are directors of the charitable company for the purposes of the Companies Act 2006. The following Governors were in office at 31 August 2014 and served throughout the year except where shown.

Governor	Appointed/Resigned
Mrs Sarah Arkas	Resigned 10 October 2013
Councillor Elizabeth Campbell (Chair)	Appointed as Chair 20 March 2014
Councillor Merrick Cockell (*)	Resigned 10 October 2013
Mrs Jill Coughlan	Resigned 10 October 2013
Dr Rodney Eastwood (*)	
Mr Tim Gilchrist (*)	Appointed 10 October 2013
Revd Rob Gillion	Resigned 10 October 2013
Ms Charlotte Harrison	Appointed 1 September 2013 and resigned 31 August 2014
Mr Robert Hingley (*)	
Ms Diana Huntingford	
Mr Gareth Jones (*)	Resigned 10 October 2013
Revd Brian Leathard	Appointed 7 March 2014
Mr Barnaby Lenon	
Councillor Jonathan Read	Appointed 10 October 2013
Ms Kate Roskell	Appointed 1 February 2014
Mr William Salomon (*)	
Lady Sarah Sassoon	
The Venerable Stephan Welch (Chair)	Resigned 20 March 2014

Method of recruitment and appointment or election of Governors

The term of office for any Governor shall be four years, although the nominating bodies may re-nominate the Governor to serve for a further period. This time limit shall not apply to the Principal.

The articles of association provide for the appointment or election of up to 15 Governors, as follows:

- ◆ four governors appointed by the LDBS;
- ◆ three governors appointed by the RBKC;
- ◆ the Principal of The Chelsea Academy;
- ◆ one elected parent governor;
- ◆ one elected teacher governor;
- ◆ one governor, to represent the private sector, who is appointed by the LDBS and the RBKC; and
- ◆ up to four governors co-opted by the Governing Body.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Policies and procedures adopted for the induction and training of Governors

All Governors are provided with an induction and training programme appropriate to their skills and experience. As a minimum, this will include training on the Academy's Child Protection policy.

Organisational structure

As set out in the articles of association, the Governors exercise their powers and functions with a view to fulfilling a largely strategic role in the running of the Academy and consider any advice given by the Principal.

The Board of Governors of the Academy has three primary roles:

- ◆ to set the Academy's strategic direction; its mission, ethos, core values; overall aims and objectives;
- ◆ to provide accountability for the Academy, for example, by reporting to key stakeholder groups and providing information for those groups; or by hearing appeals against decisions of the Academy; and
- ◆ to monitor and evaluate the Academy's performance, for example, against past performance, against other 'like' Academies and against its own improvement plan, budgets and policies.

In particular, this means exercising responsibility for and oversight over the following:

- ◆ overall policy and strategic direction of the Academy;
- ◆ mission and vision of the Academy;
- ◆ Academy development plan;
- ◆ adoption and monitoring of key targets;
- ◆ adoption of the annual budget and major financial decisions;
- ◆ overall curriculum;
- ◆ preparation of the annual report and financial statements;
- ◆ overall governance of the Academy including oversight of committees and appointment of Governors;
- ◆ dealing with any statutory inspection of the Academy; and
- ◆ maintaining relations with the sponsors of the Academy and the Education Funding Agency (EFA).

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure (continued)

The Principal is responsible for the internal organisation, management and control of the Academy; and for advising on and implementing the Academy's strategic framework. In particular, the Principal and Senior Leadership Team will formulate specific aims and objectives, policies and targets for the governing body to consider adopting. The Principal is responsible for discharging many responsibilities on the Governing Body's behalf, as well as for discharging their own responsibilities. The Principal is the Academy's Accounting Officer.

Risk Management

During the year ended 31 August 2014, the risk register has been used by the Governors to ensure that the major risks to which the Academy is exposed have been kept under review, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances.

Systems are in place, including operational procedures (e.g. vetting of new staff and visitors) and internal financial controls, in order to minimise risk. Where significant financial risk still remains, the Academy has ensured it has adequate insurance cover. The Academy has an effective system of internal financial control and more details are provided on pages 12 to 14.

Connected organisations, including related party relationships

The Academy's sponsors are the Royal Borough of Kensington and Chelsea and the London Diocesan Board for Schools. Details of any financial transactions during the year with these two organisations are given in note 25. The Chelsea Academy Foundation, a registered charity (charity number 1120784), exists to raise funds to support access for all students to an extended range of curriculum at the Academy. Details of donations from the Chelsea Academy Foundation during the year are given in note 25.

OBJECTIVES AND ACTIVITIES

Objects and aims

The objects of the Academy are to advance, for the public benefit, education in the United Kingdom, by establishing, maintaining, operating and developing a Church of England secondary school offering a broad curriculum with a strong emphasis on the Sciences. The sole activity of the Academy is to provide education for students of different abilities between the ages of 11 and 19. The Academy admits 180 year 7 students each year and the expectation is that most of these will live in the local area. Up to ten per cent of the places are offered to students with musical aptitude. The remaining places are shared equally between 'Foundation Places', with priority given to those who attend Christian churches and Church of England primary schools within the Royal Borough of Kensington and Chelsea, and 'Community Places', with priority given again to applicants from the Royal Borough of Kensington and Chelsea's community primary schools and allocated to those who live closest to the Academy. The Academy remains heavily oversubscribed and maintains waiting lists for year groups 7 to 11.

Objectives, strategies and activities

The Academy's Development Plan for 2013 – 2014 was in place for the year, the key objectives being as follows:

- ◆ students' attainment and achievement across all Key Stages is outstanding;
- ◆ the quality of teaching in all Curriculum Areas and Faculties is at least good, and frequently outstanding;
- ◆ leadership and management at all levels is highly effective, supportive and challenging;
- ◆ students' behaviour is conducive to outstanding learning and levels of safety;
- ◆ students' spiritual, moral, social and cultural development is promoted across the Academy, within the context of a distinctively Christian ethos; and
- ◆ the future sustainability of the Academy is secured with regard to admissions, staffing, finances, and accommodation.

Public Benefit

The Governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Academy's objectives and aims and in planning future activities for the year. The Governors consider that the Academy's aims are demonstrably to the public benefit.

STRATEGIC REPORT

Achievements and performance

Review of activities

The main activity during the period under review was to continue to ensure that students' attainment and achievement were outstanding.

The Academy's first cohort of Year 11 students celebrated their first set of GCSE results. With an overall pass rate of 98% for the cohort, 67% of students achieved 5A*-C with English and Maths.

There were 78 students in Year 13, of whom 91% achieved at least three A Levels. The pass rate was a very pleasing 99.6% compared to a national figure of 98.1%. The average point score was 792. 66 of the students were successful in obtaining university places.

The Academy also entered a number of Year 10 students for GCSE exams a year early and the results were particularly impressive in Maths and Science where many students have, in just four years, already made or exceeded the progress that is expected over five years.

STRATEGIC REPORT (continued)

Achievements and performance (continued)

Review of activities (continued)

The Academy continued to build links with other schools and universities, particularly Imperial College which has been a major source of support for the science specialism. One of the in-service training days involved all staff visiting another school in order to observe a particular activity of interest.

Other significant achievements included:

- ◆ A significant extension of the wide ranging programme of school trips and visits including a further visit to China and a group of sixth formers supporting an orphanage in Bosnia;
- ◆ Taking part in an extensive range of sporting and cultural activities, building on the very popular extended curriculum offered to all students, including the introduction of the Duke of Edinburgh Award Scheme, and achieving further competition success in a range of sports and dance;
- ◆ Offering an even greater selection of activities to all students, on a weekly basis, through the enrichment programme; and
- ◆ Recruiting a total of 41 new staff, ensuring that the demands of the increased number of students could be catered for.
- ◆ In 2013/14, the Governing Body of Chelsea Academy's main priority was to find a new Principal following the resignation of Mr Andy Yarrow, who had led the Academy from its inception to an outstanding OFSTED review in 2012. Governors conducted a comprehensive and wide-ranging search over two terms and were delighted to appoint Mr Matt Williams as Principal from September 2014.
- ◆ Governors were acutely aware that, whilst the search for the new Principal went on, standards in the Academy must be maintained and were fortunate that Ms Charlotte Harrison, the Acting Principal, was able to provide leadership and continuity throughout the year.
- ◆ At the end of the spring term The Ven Stephan Welch, Chair of Governors, stepped down and was replaced by the Vice Chair, Cllr Elizabeth Campbell, Cabinet Member for Family and Children's Services in Kensington and Chelsea.
- ◆ The new Chair of Governors has been rigorous in her development of the Governing Body. All policies, procedures, roles and responsibilities have been reviewed and amended accordingly. As a consequence the Governing Body is undertaking its role as a 'critical friend' to the leaders of the Academy with renewed vigour.

STRATEGIC REPORT (continued)

Achievements and performance (continued)

Key financial performance indicators

The key financial performance indicators are as follows:

- ◆ achieving the budgeted operating surplus for the current year;
- ◆ ensuring staff costs, including agency and other temporary staffing, remain below 75% of total income excluding other unrestricted income; and
- ◆ having an agreed financial plan for the next two years that demonstrates each year will produce a surplus.

Going concern

After making appropriate enquiries, the Board of Governors has a reasonable expectation that the charitable company 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.

Financial report for the year

The financial position of the Academy at the year ended 31 August 2014 was sound with each of the separate funds managed by the Academy remaining in surplus.

The results for the year are shown on page 22.

The net reduction in funds for the year was £568,000 (2013 – £832,000). This smaller reduction reflects the overall improvement in the financial position as income growth outpaced the growth of costs, as student numbers continued to rise.

The operating surplus, which excludes transactions relating to the fixed asset fund, was £384,000, £157,000 better than the revised budget. This positive position was achieved as a result of a number of income streams, such as pupil premium, exceeding budget.

After an actuarial gain in 2012/13 of £125,000 on the Local Government Pension Scheme (LGPS), 2013/14 saw an actuarial gain of £30,000, bringing the overall deficit on the scheme to £351,000. The other factor contributing to the difference between the operating surplus and the net movement in funds was the £32,000 capital income and the depreciation charge of £1,014,000.

Staff costs as a percentage of total income less other restricted income increased slightly from 68.2% in 2012/13 to 69.3% in 2013/14. This reflects the increase in staff numbers during the year.

STRATEGIC REPORT (continued)

Financial review

Financial and risk management objectives and policies

The Academy's risk management system is designed to involve all of the relevant members of the Leadership Team. The risk register is reviewed, at each of its meetings, by the Business Operations Committee, a Governors' sub-committee tasked to review all financial matters and annually by the full Board of Governors.

The Academy's risk management objective is to balance the mitigation of risk against the cost of doing so, given the likelihood and potential cost of the risk materialising.

Reserves policy

The Governing Body has adopted a policy on reserves to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies, amounting to the equivalent of three months of normal General Annual Grant. However, given the current constraint placed on reserves in the Funding Agreement with the EFA, the Governors are limited in their capacity to implement the policy. However, the Governors are considering moving to the latest model funding agreement which would overcome this limitation.

The deficit on the pension fund relates to the Academy's share of the obligations under the Local Government Pension Scheme (LGPS). Any cash flows as a result of this deficit will occur over a number of years.

The value of free reserves at the end of the financial year was £295,000, which was significantly below the level of reserves indicated by the policy.

Investment policy

The Governors' investment powers are governed by the memorandum and articles of association, which permit the Academy's funds, not immediately required for the furtherance of its objects, to be invested in or upon such investments, securities or property, as may be thought fit, subject to such conditions and consents as may for the time being be imposed or required by law. The Academy has not engaged in any investment of surplus funds during the year under review.

Principal risks and uncertainties

There is no exposure to any financial instruments other than cash, bank balances and trade creditors. Consequently, this area of financial risk is considered to be very low.

The Academy has an effective system of internal control. This means that the risk of both fraud and waste are also considered to be low.

There are two major operational financial risks facing the Academy:

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

- ◆ further changes to the funding regime, including moves towards a national funding formula, that may have an adverse impact on the Academy's income, and further changes to post-16 funding; and
- ◆ falling demand for places, both for Year 7 and Sixth Form, particularly as a result of increased provision, for example with new free schools opening, and/or failure to achieve expected GCSE and A level examination results.

The funding of the Local Government Pension Scheme remains the major non-operational financial risk.

PLANS FOR FUTURE PERIODS

The Academy will almost be at full capacity, with 180 students planned for all year groups in Key Stage 3 and 4 (except year 11) and up to 250 students in sixth form. Staffing levels will also peak and accommodation will be also be utilised to the full. Assessments will need to be made to ascertain whether expansion of the facilities will be required.

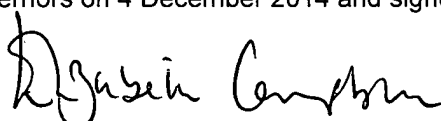
Matt Williams has been appointed as the Academy's new Principal and he takes up post with effect from 1 September 2014. With the additional changes to the membership of the Governing Body, the forthcoming year will see a number of challenges for the leadership team. The key challenge will be to maintain progress in achieving the best possible exam results on the back of a solid performance in 2014.

AUDITOR

In so far as the Governors are aware:

- ◆ there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Governors' report, incorporating a strategic report, approved by order of the Board of Governors on 4 December 2014 and signed on its behalf by:



Elizabeth Campbell
Chair of Governors

Scope of responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that the The Chelsea Academy 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 have 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 Academy 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 four 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
Mrs Sarah Arkas	2	2
Ms Aadila Bronkhorst	2	2
Councillor Elizabeth Campbell	4	4
Councillor Merrick Cockell	0	2
Mrs Jill Coughlan	2	2
Dr Rodney Eastwood	4	4
Mr Tim Gilchrist	2	2
Revd Rob Gillion	1	3
Ms Charlotte Harrison	4	4
Mr Robert Hingley	4	4
Ms Diana Huntingford	4	4
Mr Gareth Jones	0	2
Revd Brian Leathard	2	2
Mr Barnaby Lenon	2	4
Councillor Jonathan Read	2	3
Ms Kate Roskell	2	2
Mr William Salomon	4	4
Lady Sarah Sassoon	3	4
The Venerable Stephan Welch	2	2

Governance (continued)

Governance reviews

The Governors continued to review their direction during the year and following the changes of leadership of both the Governing Body and the Academy during the year, it was appropriate that a governance review was initiated. The first full set of exam results and the fact that the Academy had been open for five years provided an opportunity to reflect on how governance had impacted upon the Academy. The Governors have embarked on a process of self-evaluation and training in conjunction with the Leadership Team. Training for the Governors and Leadership Team has taken place in conjunction with the National Governors Association, and a programme for joint training has been formulated with the aim of producing a thorough self-review.

The **Business Operations Committee** is a sub-committee of the main Governing Body. Its purpose is to review all non-academic operational matters on behalf of the Governing Body, including the regular consideration of the Academy's financial position and risk management. Attendance at meetings in the year was as follows:

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Mr Robert Hingley (Chair)	3	3
Councillor Merrick Cockell	1	3
Dr Rodney Eastwood	1	3
Mr Tim Gilchrist	2	2
Ms Charlotte Harrison	3	3
Mr Gareth Jones	1	1
Mr William Salomon	2	3

Governance Structure

In addition to the Business Operations Committee, governance is exercised through a number of other committees including the Students and Curriculum Committee, the Audit Committee and the Remuneration Committee. These committees are interlinked to ensure that all aspects of running the Academy are comprehensively covered and challenged.

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 the Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Academy for the year ended 31 August 2014 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 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's significant risks that has been in place for the year ended 31 August 2014 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 risk and control framework

The Academy'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 Business Operations Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- ◆ setting targets to measure financial and other performance;
- ◆ clearly defined purchasing (asset purchase or capital investment) guidelines;
- ◆ delegation of authority and segregation of duties;
- ◆ identification and management of risks.

The Board of Governors has considered the need for a specific internal audit function and have appointed Robert Ashdown, a Chartered Accountant and a Registered Auditor, as the Academy's Internal Auditor. The Internal Auditor's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a termly basis, the Internal Auditor reports to the Board of Governors on the operation of the systems of control and on the discharge of the Board of Governors' financial responsibilities.

In the year ended 31 August 2014, the Governors confirm that the internal audit function has been fully delivered in line with requirements of the EFA and the Internal Auditor is not aware of any material internal control issues in the year.

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;

Review of effectiveness (continued)

- ◆ the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has advised the finance committee of the implications of his/her review of the system of internal control by the Business Operations Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board of Governors on 4 December 2014 and signed on their behalf by:



Elizabeth Campbell
(Chair of Governors)



Matt Williams
(Accounting Officer)

Statement on regularity, propriety and compliance 31 August 2014

As Accounting Officer of The Chelsea Academy (A Science Academy), I have considered my responsibility to notify the Academy Trust Board of Governors and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Academy Trust 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.

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 EFA.



Matt Williams
Accounting Officer

Date: 4 December 2014

Statement of governors' responsibilities 31 August 2014

The Governors (who act as Trustees of the Academy and are also the directors of the Academy 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 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 Academy 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 in the Charities' Statement of Recommended Practice (the Charities' SORP);
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy will continue in operation.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy's transactions and disclose with reasonable accuracy at any time the financial position of the Academy and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the Board of Governors on 4 December 2014 and signed on its behalf by:



Elizabeth Campbell
Chair of Governors

Independent auditor's report on the financial statements to the Members of The Chelsea Academy (A Science Academy)

We have audited the financial statements of The Chelsea Academy (A Science Academy) ("the charitable company") for the year ended 31 August 2014 which comprise the statement of financial activities, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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

Respective responsibilities of Governors and auditor

The Governors act as trustees for the charitable activities of The Chelsea Academy (A Science Academy) and are also the directors of the charitable company for the purpose of company law.

As explained more fully in the statement of Governors' responsibilities set out in the Governors' report, including the strategic report, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' report, including the strategic report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report 31 August 2014

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2014

Independent reporting accountant's assurance report on regularity to The Chelsea Academy (A Science Academy) and the Education Funding Agency

In accordance with the terms of our engagement letter dated 23 August 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Chelsea Academy (A Science Academy) during the period from 1 September 2013 to 31 August 2014 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 Chelsea Academy (A Science Academy) and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Chelsea Academy (A Science Academy) and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Chelsea Academy (A Science Academy) and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Chelsea Academy (A Science Academy)'s Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Chelsea Academy (A Science Academy)'s funding agreement with the Secretary of State for Education dated 2 April 2007 and the Academies Financial Handbook, extant from 1 September 2013, 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 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2013 to 31 August 2014 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 2013 to 2014 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

Approach (continued)

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

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

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the academy trust's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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 period from 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

19 December 2014

Statement of financial activities (including income and expenditure account and statement of total recognised gains and losses) Year to 31 August 2014

	Notes	Unrestricted general fund £000	Restricted funds		2014 Total funds £000	2013 Total funds £000
			General £000	Fixed assets fund £000		
Incoming resources						
Incoming resources from generated funds						
Voluntary income	2	—	104	—	104	181
Activities for generating funds	3	84	—	—	84	59
Investment income	4	3	—	—	3	33
Incoming resources from charitable activities						
Funding for the Academy's educational operations	5	402	8,332	32	8,766	7,706
Total incoming resources		489	8,436	32	8,957	7,979
Resources expended						
Charitable activities						
Academy's educational operations	7	349	8,173	1,014	9,536	8,912
Governance costs	8	—	19	—	19	24
Total resources expended	6	349	8,192	1,014	9,555	8,936
Net incoming (outgoing) resources before transfers		140	244	(982)	(598)	(957)
Gross transfers between funds	15	—	(94)	94	—	—
Net income (expenditure) for the year		140	150	(888)	(598)	(957)
Other recognised gains and losses						
Actuarial gains on defined benefit pension scheme	24	—	30	—	30	125
Net movement in funds		140	180	(888)	(568)	(832)
Reconciliation of funds						
Total fund balances brought forward at 1 September 2013		155	241	37,720	38,116	38,948
Total fund balances carried forward at 31 August 2014	15	295	421	36,832	37,548	38,116

All of the Academy's activities derived from continuing operations during the above two financial periods.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

Balance sheet 31 August 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible fixed assets	12		36,832		37,720
Current assets					
Debtors	13	497		438	
Cash at bank and in hand		1,255		1,083	
		<u>1,752</u>		<u>1,521</u>	
Current liabilities					
Creditors: amounts falling due within one year	14	(685)		(893)	
Net current assets			<u>1,067</u>		<u>628</u>
Net assets excluding pension scheme liability					
			<u>37,899</u>		<u>38,348</u>
Pension scheme liability	25		(351)		(232)
Net assets including pension scheme liability			<u>37,548</u>		<u>38,116</u>
Funds of the Academy					
Restricted income funds					
Fixed assets fund	15		36,832		37,720
General fund	15		772		473
Pension reserve	15		(351)		(232)
			<u>37,253</u>		<u>37,961</u>
Unrestricted funds					
General fund	15		295		155
Total funds			<u>37,548</u>		<u>38,116</u>

The financial statements on page 22 to 44 were approved by the Governors, and authorised for issue on 4 December 2014 and are signed on their behalf by:



Elizabeth Campbell
Chair of Governors

The Chelsea Academy (A Science Academy)
Company Limited by Guarantee
Registration Number: 06176090 (England and Wales)

Cash flow statement Year to 31 August 2014

	Notes	2014 £000	2013 £000
Net cash inflow (outflow) from operating activities	20	263	(54)
Returns on investment and servicing of finance	21	3	2
Capital expenditure	22	(94)	(158)
Increase (decrease) in cash in the year		172	(210)
Reconciliation of net cash flow to movement in net funds:			
Net funds at 1 September 2013		1,083	1,293
Net funds at 31 August 2014		1,255	1,083

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice 'Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, are set out below.

Going concern

The Governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

Incoming resources

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

Grants receivable

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

The General Annual Grant is recognised in full in the year for which it is receivable, and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable 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

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

Other income

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

Resources expended

All expenditure is recognised in the period in which the liability is incurred and has been classified under headings that aggregate all costs related to that category.

Charitable activities

These are costs incurred on the Academy's educational operations. The cost of generating funds was previously separated out however given the related amounts are immaterial they have now been included in charitable activities and the comparative restated.

Governance costs

Governance costs include the costs attributable to the Academy's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses.

All resources expended are stated net of recoverable VAT.

Tangible fixed assets

Assets costing £1,000 or more, are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to the restricted fixed assets fund in the Statement of Financial Activities and are carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed assets fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

◆ Buildings	2%
◆ Leasehold improvements	33%
◆ Furniture, fixtures and fittings	20%
◆ Computer equipment	33%
◆ Motor vehicles	20%

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

Tangible fixed assets (continued)

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

Leased assets

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

Taxation

The charitable company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly the charitable company is potentially exempt from taxation in respect of income and 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.

Pension benefits

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes and the assets are held separately from those of the Academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 24, the TPS is a multi employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is, therefore, treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Pension benefits (continued)

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

Fund accounting

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

Restricted fixed assets funds are resources which are to be applied to specific capital purposes imposed by the EFA, Department for Education or other funder, where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted resources received and include grants from the EFA and Department for Education.

1 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the Academy was subject to limits at 31 August 2014 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The Academy has not exceeded these limits during the year ended 31 August 2014.

2 Voluntary income

	Unrestricted funds £000	Restricted funds £000	2014 Total funds £000	2013 Total funds £000
Donation from The Chelsea Academy Foundation	—	79	79	133
Other donations	—	25	25	48
	—	104	104	181

3 Activities for generating funds

	Unrestricted funds £000	Restricted funds £000	2014 Total funds £000	2013 Total funds £000
Hire of facilities	84	—	84	59

4 Investment income

	Unrestricted funds £000	Restricted funds £000	2014 Total funds £000	2013 Total funds £000
Interest receivable	3	—	3	2
FRS 17 adjustment – interest on pension scheme assets	—	—	—	31
	3	—	3	33

Notes to the financial statements Year to 31 August 2014

5 Funding for the Academy's educational operations

	Unrestricted funds £000	Restricted funds £000	2014 Total funds £000	2013 Total funds £000
Capital grants	—	32	32	9
EFA revenue grants				
. General Annual Grant (GAG) (note 1)	—	7,423	7,423	6,485
. Pupil premium	—	512	512	262
. Start Up grants	—	92	92	275
. Other EFA grants	—	45	45	45
	—	8,072	8,072	7,067
Other government grants				
. RBKC – Special Educational Needs (SEN)	—	260	260	314
. RBKC – Educational Excellence	—	—	—	29
	—	260	260	343
Other educational incoming resources				
. Music tuition	16	—	16	27
. Catering	163	—	163	148
. School uniforms	—	—	—	18
. Trips	160	—	160	67
. Miscellaneous	63	—	63	27
	402	—	402	287
	402	8,364	8,766	7,706

6 Resources expended

	Staff costs £000	Non pay expenditure		2014 Total funds £000	2013 Total funds £000
		Premises £000	Other costs £000		
Charitable activities					
. Academy's educational operations (note 7)					
.. Direct costs	5,342	1,014	516	6,872	6,626
.. Support costs	888	448	1,328	2,664	2,286
	6,230	1,462	1,844	9,536	8,912
Governance costs (note 8)	—	—	19	19	24
	6,230	1,462	1,863	9,555	8,936

6 Resources expended (continued)

	2014 Total funds £000	2013 Total funds £000
Net incoming resources for the year is stated after charging:		
Operating leases	28	28
Fees payable to auditor		
Statutory audit	11	10
Other services	7	5

7 Charitable activities – Academy's educational operations

	2014 Total funds £000	2013 Total funds £000
Direct costs		
Teaching and educational support staff costs	5,342	4,539
Depreciation	1,014	1,478
Technology costs	61	93
Educational supplies	304	358
Examination fees	90	62
Staff development	46	45
Other direct costs	—	51
Educational visit	15	—
	6,872	6,626
Support costs		
Support staff costs	888	757
Technology costs	—	15
Recruitment and support	51	127
Maintenance of premises and equipment	203	188
Cleaning	139	127
Rent and rates	104	83
Energy costs	164	184
Insurance	63	57
Security and transport	2	19
Catering	408	356
School trips	186	81
Office overheads	134	71
FRS 17 interest cost on pension scheme (note 24)	4	35
Other support costs	318	186
	2,664	2,286
	9,536	8,912

8 Governance costs

	2014 Total funds £000	2013 Total funds £000
Legal and professional fees	—	1
Auditor's remuneration	15	15
Responsible officer work	2	2
Support staff costs	—	6
Governors' reimbursed expenses	2	—
	19	24

9 Staff

(a) Staff costs

Staff costs during the year were:

	2014 Total funds £000	2013 Total funds £000
Wages and salaries	4,940	4,204
Social security costs	406	355
Pension costs	626	521
	5,972	5,080
Supply teacher costs	56	70
Other agency staff costs	57	123
	6,085	5,273
FRS 17 adjustment to staff costs (note 24)	145	84
	6,230	5,357

(b) Staff numbers

The average numbers of persons (including senior management team) employed by the Academy during the year expressed as a full time equivalents was as follows:

Charitable activities	2014 No	2013 No
Teachers	71	61
Administration and support	68	48
Management	9	7
	148	116

9 Staff

(c) Higher paid staff

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

	2014 No	2013 No
£60,001 - £70,000	4	5
£70,001 - £80,000	1	—
£110,001 - £120,000	—	1

Four (2013 - five) of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 pension contributions for these staff amounted to £51,079 (2013 - £48,622). The other employee for the year ended 31 August 2014 participated in the Local Government Pension Scheme, and pension contributions amounted to £5,151 (2013 - £9,900).

10 Governors' remuneration and expenses

The Principal and Staff Governor only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the Academy in respect of their role as governors. The value of Governors' remuneration for the period in which they served as a Governor was as follows:

	2014 £	2013 £
Mr Andy Yarrow, Principal	n/a	115,000-120,000
Ms Charlotte Harrison, Acting Principal	70,000-75,000	n/a
Mr Tim Gilchrist, Staff Governor	20,000-25,000	n/a
Mr Gareth Jones, Staff Governor	15,000-20,000	55,000-60,000

During the year ended 31 August 2014, travel and subsistence expenses totalling £1,578 (2013 - £451) were reimbursed to two Governors (2013 - one).

Other related party transactions involving the Governors are set out in note 25.

11 Governors' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2014 was £1,363 (2013 - £1,188).

12 Tangible fixed assets

	Leasehold buildings £000	Leasehold additions £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Total funds £000
Cost/valuation						
At 1 September 2013	39,584	60	777	1,586	28	42,035
Additions	—	94	15	17	—	126
At 31 August 2014	39,584	154	792	1,603	28	42,161
Depreciation						
At 1 September 2013	2,372	8	445	1,469	21	4,315
Charge in year	794	—	155	59	6	1,014
At 31 August 2014	3,166	8	600	1,528	27	5,329
Net book value						
At 31 August 2014	36,418	146	192	75	1	36,832
At 31 August 2013	37,212	52	332	117	7	37,720

13 Debtors

	2014 £000	2013 £000
Trade debtors	80	48
Prepayments and accrued income	138	103
VAT recoverable	219	—
Other debtors	60	287
	497	438

14 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	271	399
Taxation and social security	124	114
Other creditors	206	160
Accruals and deferred income	84	220
	685	893
Deferred income (included above)		
Deferred income at 1 September 2013	124	70
Resources deferred in the year	53	80
Amounts released from previous years	(124)	(26)
Deferred income at 31 August 2014	53	124

Deferred income of £53,000 relates to £40,000 of capital funding, income received for school trips taking place in the year ended 31 August 2015 of £3,000 and 16-19 bursary fund income of £10,000.

15 Funds

	Balance at 1 September 2013 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2014 £000
General restricted fund					
General Annual Grant (GAG)	459	7,423	(7,134)	(94)	654
Start Up Grant	—	92	(92)	—	—
Pupil premium	—	512	(512)	—	—
Other EFA	—	78	(78)	—	—
Other grants	3	227	(227)	—	3
Pension reserve	(232)	—	(149)	30	(351)
	230	8,332	(8,192)	(64)	306
Chelsea Academy Foundation donations	9	79	—	—	88
Other donations	2	25	—	—	27
Restricted general funds	241	8,436	(8,192)	(64)	421
Fixed assets fund					
EFA capital grants	32,004	32	(890)	94	31,240
Capital grants from Local Authority	3,730	—	(81)	—	3,649
Private sector capital sponsorship	1,986	—	(43)	—	1,943
	37,720	32	(1,014)	94	36,832
Total restricted funds	37,961	8,468	(9,206)	30	37,253
Unrestricted funds					
Unrestricted funds	155	489	(349)	—	295
Total unrestricted funds	155	489	(349)	—	295
Total funds	38,116	8,957	(9,555)	30	37,548

16 Funds (continued)

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

Restricted funds

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy Trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2014. Note 1 discloses whether the limit was exceeded.

Fixed asset fund

These grants relate to funding received from the DfE, EFA and private sponsors to carry out works of a capital nature as part of the School Building project at Lots Road and other fixed assets purchased by the Academy. £94,000 was transferred from the GAG surplus to supplement the capital income in order to meet the capital expenditure.

Pension reserve

The pension reserve relates to the Academy's share of the deficit to the Local Government Pension Scheme administered by the Royal Borough of Kensington & Chelsea.

17 Analysis of net assets between funds

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset fund £000	Total 2014 £000
Fund balances at 31 August 2014 are represented by:				
Tangible fixed assets	—	—	36,832	36,832
Current assets	295	1,457	—	1,752
Current liabilities	—	(685)	—	(685)
Pension scheme liability	—	(351)	—	(351)
Total net assets	295	421	36,832	37,548

18 Financial commitments

Operating leases

At 31 August 2014, the academy trust had annual commitments under non-cancellable operating leases as follows:

	2014 £000	2013 £000
Land and buildings		
Expiring within two and five years inclusive	24	24
	<u>24</u>	<u>24</u>
Other		
Expiring within one year		
Expiring within two and five years inclusive	3	13
Expiring in over five years	—	—
	<u>3</u>	<u>13</u>

19 Reconciliation of net expenditure to net cash inflow (outflow) from operating activities

	2014 £000	2013 £000
Net expenditure	(598)	(957)
Depreciation (note 12)	1,014	1,478
Capital grants from DfE and other capital income	(32)	(62)
Interest receivable (note 4)	(3)	(2)
FRS 17 pension cost less contributions payable (note 24)	145	84
FRS 17 pension finance income (note 24)	4	4
Increase in debtors	(59)	(279)
Increase in creditors	(208)	(320)
Net cash inflow (outflow) from operating activities	<u>263</u>	<u>(54)</u>

20 Returns on investment and servicing of finance

	2014 £000	2013 £000
Interest received	3	2
Net cash inflow from returns on investment and servicing of finance	<u>3</u>	<u>2</u>

21 Capital expenditure and financial investment

	2014 £000	2013 £000
Provision of tangible fixed assets	(126)	(220)
Capital grants from DfE / EFA	32	9
Capital funding received from sponsors and others	—	53
Net cash outflow from capital expenditure and financial investments	(94)	(158)

22 Analysis of changes in net funds

	At 1 September 2013 £000	Cashflows £000	At 31 August 2014 £000
Cash in hand and at bank	1,083	172	1,255

23 Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/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

24 Pension and similar obligations

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Royal Borough of Kensington and Chelsea. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £85,600 (2013 - £74,000) were payable to the schemes at 31 August 2014 and are included within creditors.

24 Pension and similar obligations (continued)

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, 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.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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 (currently 14.1%);
- ◆ total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- ◆ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>).

24 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

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

24 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £265,000, of which employer's contributions totalled £186,000 and employees' contributions totalled £79,000. The agreed contribution rates for future years are 13.3% of employers and 5.5% and 7.5% of employees.

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

Principal Actuarial Assumptions	At 31 August 2014	At 31 August 2013
Rate of increase in salaries	4.5%	4.8%
Rate of increase for pensions in payment / inflation	2.7%	2.6%
Discount rate for scheme liabilities	4.0%	4.8%
Inflation assumption (CPI)	2.7%	2.6%
Commutation of pensions to lump sums	50%	50%

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

	At 31 August 2014	At 31 August 2013
<i>Retiring today</i>		
Males	22.3	19.2
Females	25.5	23.3
<i>Retiring in 20 years</i>		
Males	24.5	21.1
Females	27.9	25.1

24 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

	Expected return at 31 August 2014	Fair value at 31 August 2014 £000	Expected return at 31 August 2013	Fair value at 31 August 2013 £000
Equities	6.0%	781	6.4%	571
Bonds	3.0%	—	3.4%	8
Target Return Portfolio	4.5%	276	4.8%	227
Property	5.0%	37	5.4%	25
Cash	0.5%	19	0.5%	8
Total market value of assets	5.5%	1,113	5.8%	839
Present value of scheme liabilities		(1,464)		(1,071)
(Deficit) in the scheme		(351)		(232)

The actual return on scheme assets was £92,000.

Amounts recognised in statement of financial activities	2014 £000	2013 £000
<i>Current service costs (net of employee contributions)</i>		
Past service costs	331	290
Total operating charge	331	290

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	(62)	31
Interest on pension liabilities	66	(35)
Pension finance (costs)	4	(4)

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a gain of £8,000.

Movements in the overall deficit were as follows:	2014 £000	2013 £000
Deficit at 1 September 2013	(232)	(269)
Current service cost	(331)	(290)
Employer contributions	186	206
Net finance interest	(4)	(4)
Actuarial gains	30	125
At 31 August 2014	(351)	(232)

24 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the present value of defined benefit obligations were as follows:	2014 £000	2013 £000
Deficit at 1 September 2013	1,071	722
Current service costs	331	290
Interest costs	66	35
Employee contributions	79	63
Actuarial gain	(83)	(39)
At 31 August 2014	1,464	1,071

Movements in the fair value of Academy's share of scheme assets:	2014 £000	2013 £000
At 1 September 2013	839	453
Expected return on assets	62	31
Actuarial (loss) gain	(53)	86
Employer contributions	186	206
Employee contributions	79	63
At 31 August 2014	1,113	839

The estimated value of the employer contributions for the year ending 31 August 2015 is £225,000.

The five year history of experience adjustments are as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of defined benefit obligations	(1,464)	(1,071)	(722)	(358)	—
Fair value of share scheme assets	1,113	839	453	324	—
Deficit on the scheme	(351)	(232)	(269)	(34)	—
Experience adjustments on share of scheme assets					
Amount	(53)	86	(9)	38	—
Experience adjustments on scheme liabilities					
Amount	439	—	—	(22)	—

25 Related party transactions

Owing to the nature of the Academy's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

The Academy sponsors are the Royal Borough of Kensington and Chelsea (RBKC) and the London Diocesan Board for Schools (LDBS). During the year ended 31 August 2014 £260,367 (2013 - £313,632) was received from RBKC for SEN funding and £nil from the Educational Excellence Fund (2013 - £28,850). There were no funds received from the LDBS (2013 - £nil).

The Academy bought back a number of services from both sponsors during the year including payroll support, some IT support and recruitment advertising. During the year payments to RBKC were £83,202, including business rates (2013 - £102,615) and payments of £35,900 were made to LDBS (2013 - £33,859).

The Chelsea Academy Foundation ("the Foundation") is a legally separate charity which is, nevertheless, closely associated with the Academy. The Foundation exists to raise funds to support access for all students, regardless of their financial means, to the range of extended curriculum. During the year the Foundation agreed to fund £80,000 of the Academy's expenditure (2013 - £109,000), of which, £17,000 was still owing at 31 August 2014 (2013 - £22,000).