

**The Chelsea Academy
(A Science Academy)**

A company limited by guarantee

Company Registration Number 06176090 (England and Wales)

**Annual Report and Financial
Statements**

Year ended 31 August 2013

The Chelsea Academy (A Science Academy)

Contents

	Page
Reference and Administrative Information	1
Governors' Report	3
Governance Statement	13
Statement on Regularity, Propriety and Compliance	17
Statement of Governors' Responsibilities	18
Independent Auditor's Report on the Financial Statements	20
Independent Auditor's Report on Regularity	22
Statement of Financial Activities incorporating the Income & Expenditure Account	24
Balance Sheet	25
Cash Flow Statement	26
Notes to the Financial Statements incorporating:	
- Statement of Accounting Policies	27
- Other Notes to the Financial Statements	30

The Chelsea Academy (A Science Academy)

Reference and Administrative Information

Governors

Mrs Sarah Arkas
Councillor Elizabeth Campbell
Councillor Merrick Cockell (*)
Mrs Jill Coughlan
Dr Rodney Eastwood (*)
Revd Rob Gillion
Mr Robert Hingley (*)
Ms Diana Huntingford (from 5 June 2013)
Mr Gareth Jones (*)
Mr Barnaby Lenon
Councillor Jonathan Read (from 10 October 2013)
Mr William Salomon (*)
Lady Sarah Sassoon
The Venerable Stephan Welch (Chair)

Councillor Merrick Cockell (*) resigned as a governor, effective 10 October 2013
Ms Rebecca Matthews resigned as a governor, effective 12 March 2013
Mr Andy Yarrow (*) resigned as Principal and governor, effective 31 August 2013

(*) Member of the Business Operations Committee

Company Secretary

Allister Duncan

Senior Leadership Team :

Principal

Andy Yarrow (until 31 August 2013)

Senior Vice Principal

Charlotte Harrison (Acting Principal from 1 September 2013)

Vice Principal

Tom Cragg

Director of Finance & Operations

Allister Duncan

Assistant Principals

Lisa Minshull

Jeannette Simpson

Sabrina Broadbent

Assistant Principal and SENCO

Rebecca Gonyora

Head of Sixth Form

Lana Kulas (until 31 August 2013)

The Chelsea Academy (A Science Academy)

Reference and Administrative Information (continued)

Registered address	Lots Road London SW10 0AB
Company registration number	06176090 (England & 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

The Chelsea Academy (A Science Academy)

Governors' Report

The governors present their annual report together with the financial statements and auditor's reports of The Chelsea Academy (A Science Academy) ('the Academy'), for the period from 1 September 2012 to 31 August 2013.

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

There are no qualifying third party indemnity provisions to declare.

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.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Structure, Governance and Management (continued)

Method of Recruitment and Appointment 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 trustees, 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.

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.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Structure, Governance and Management (continued)

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).

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

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 2013, 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 14 to 16.

Connected Organisations

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 27. 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 27.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Objectives and Activities

Object 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 2011 – 2013 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;
- ◆ a distinctive Christian ethos is developed across the Academy community; and
- ◆ the future sustainability of the Academy is secured with regard to accommodation, finances, admissions and staffing.

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.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Achievements and Performance

The main activity during the period under review was to continue to ensure that students' attainment and achievement were outstanding. The Academy had a set of A level results for the first time this year.

There were 78 students in Year 13 and 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 Mathematics and Science where many students have, in just four years, already made or exceeded the progress that is expected over five years.

During the year, the Academy opened its off-site Internal Support Centre and Internal Exclusion Room, having entered in to a three year lease with the Royal Borough of Kensington and Chelsea to lease a property in World's End Place.

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;
- ◆ recruiting a total of 41 new staff, ensuring that the demands of the increased number of students could be catered for.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Achievements and Performance (continued)

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.

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.

The financial position of the Academy at the year ended 31 August 2013 was sound with each of the separate funds managed by the Academy remaining in surplus.

The results for the year are shown on page 24.

The net reduction in funds for the year was £832,000 (2012 – £1,457,000). 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 £459,000, £67,000 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 loss in 2011/12 of £115,000 on the Local Government Pension Scheme (LGPS), 2012/13 saw an actuarial gain of £125,000, bringing the overall deficit on the scheme to £232,000. The other factor contributing to the difference between the operating surplus and the net movement in funds was the £62,000 capital income and the depreciation charge of £1,478,000.

Staff costs as a percentage of total income less other restricted income fell from 72.0% in 2011/12 to 68.2% in 2012/13. This again reflects income rising faster than costs.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Achievements and Performance (continued)

Key Financial Performance Indicators (continued)

The revised funding formula for schools will determine income in 2013/14 and represents a step towards a national funding formula. The Academy is disadvantaged by the changes, a combination of the general re-distribution from London schools and more money being allocated to per pupil funding, with less money channelled to specific issues such as special educational needs and free school meals. The governors took the decision to increase the planned admission number from 162 to 180 and to expand the size of the Sixth Form to 350, with a view to achieving an operating surplus in both 2014/15 and 2015/16.

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.

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:

- ◆ 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.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Financial review (continued)

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 £155,000, which was significantly below the level of reserves indicated by the policy.

Investment policy and practice

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.

Plans for Future Periods

Admissions planned for September 2013 were 180 students into Year 7 and 120 sixth form students. This will mean that the Academy will have students in every year group. With over a 1,000 students, the facilities available will begin to be fully tested for the first time. Over the year, we will admit further students in Years 8, 9 and 10, up to a maximum of 180 in each of those year groups.

The Academy's founding Principal, Andy Yarrow, left the Academy at the end of the academic year, in order to take up a regional director post with Oasis. Recruiting a new Principal will be an extremely important task for the governors during the new academic year. The Senior Vice Principal, Charlotte Harrison, has been appointed as Acting Principal until 31 August 2014. As is always the case, in such circumstances, the interim period will provide its own challenge to all of the staff, but particularly to the leadership team.

The Chelsea Academy (A Science Academy)

Governors' Report (continued)

Plans for Future Periods (continued)

Having been judged 'outstanding' under both Ofsted and SIAS frameworks, the challenge is now to continue to improve, ensuring that no sense of complacency is allowed to enter the Academy's culture. Whilst a full inspection will not take place during the next year the possibility of subject inspections remains and being constantly prepared continues to be a priority.

Preparing the new Year 11 for their GCSE examinations will be a key focus for the year, and developing a range of interventions to support all of those students to achieve the best results possible, will be a priority. Considering how to develop the Sixth Form curriculum is also an important activity, so that the Academy has a suitable offer for as many of those Year 11 students as possible.

Now that the off-site behaviour support facility is available further work will be undertaken in refining the process of re-integrating students back in to mainstream classes more effectively.

The key objectives for the Academy are set out in the Development Plan and are outlined on page 7 of this report:

Funds Held as Custodian Trustee on Behalf of Others

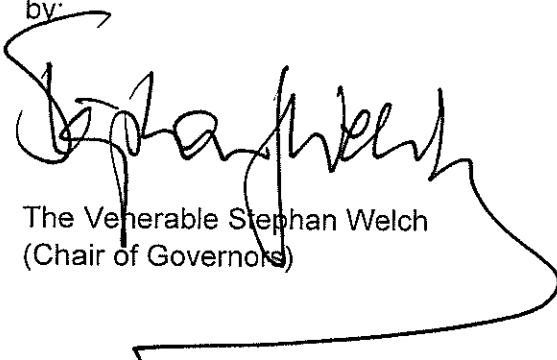
There are no funds held on behalf of others.

Auditor

Insofar 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.

Approved by order of the board of governors on 5 December 2013 and signed on its behalf by:



The Venerable Stephan Welch
(Chair of Governors)

The Chelsea Academy (A Science Academy)

Governance Statement

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that 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 has delegated the day-to-day responsibility to the Principal, as accounting officer, for ensuring financial controls conform to 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 Chelsea Academy and the Secretary of State for Education. The Principal is 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 governing body met 5 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
The Venerable Stephan Welch (Chair)	5	5
Mrs Sarah Arkas	4	5
Councillor Elizabeth Campbell	5	5
Councillor Merrick Cockell	2	5
Mrs Jill Coughlan	5	5
Dr Rodney Eastwood	3	5
Rev'd Rob Gillion	5	5
Mr Robert Hingley	3	5
Ms.Diana Huntingford	1	1
Mr Gareth Jones	3	5
Mr Barnaby Lenon	4	5
Ms Rebecca Matthews	1	2
Councillor Jonathan Read	-	-
Mr William Salomon	3	5
Lady Sarah Sassoon	4	5
Mr Andy Yarrow	4	5

The Chelsea Academy (A Science Academy)

Governance Statement (continued)

Governance (continued)

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:

Governor/member	Meetings attended	Out of a possible
Mr Robert Hingley (Chair)	3	3
Councillor Merrick Cockell	1	3
Dr Rodney Eastwood	1	3
Mr Gareth Jones	1	3
Mr William Salomon	2	3
Mr Inigo Woolf	2	3
Mr Andy Yarrow	3	3

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Chelsea Academy for the period from 1 September 2012 to 31 August 2013 and up to the date of the 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 period from 1 September 2012 to 31 August 2013 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 Chelsea Academy (A Science Academy)

Governance Statement (continued)

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 reporting, which are reviewed and agreed by the board of governors;
- ◆ regular reviews by the Business Operations Committee of reports which indicate financial performance against budgets and forecasts and of major purchase plans, capital works and expenditure programmes;
- ◆ target setting to measure financial and other performance;
- ◆ clearly defined purchasing (asset purchase and capital investment) guidelines;
- ◆ delegation of authority and segregation of duties; and
- ◆ identification and management of risks.

The board of governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Robert Ashdown, a Chartered Accountant and a Registered Auditor, as the Academy's Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a termly basis, the RO 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 2013, the governors confirm that the RO function has been fully delivered in line with requirements of the EFA and the RO 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 RO;
- ◆ the work of the external auditor;
- ◆ the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

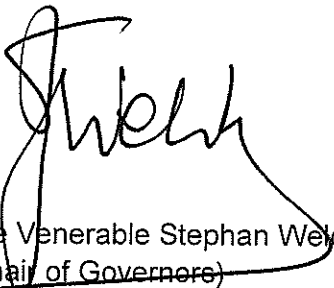
The Chelsea Academy (A Science Academy)

Governance Statement (continued)


Review of effectiveness (continued)

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Business Operations Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the Governing Body on 5 December 2013 and signed on its behalf by:



The Venerable Stephan Welch
(Chair of Governors)



Charlotte Harrison
(Accounting Officer)

The Chelsea Academy (A Science Academy)

Statement on Regularity, Propriety and Compliance

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 of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy 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, or material non-compliance with the terms and conditions of funding under the Academy'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.



Charlotte Harrison
(Accounting Officer)

5 December 2013

The Chelsea Academy (A Science Academy)

Statement of Governors' Responsibilities

The governors (who act as trustees for the Chelsea Academy (A Science Academy) and are also directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and financial statements in accordance with the Annual Accounting 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 charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the governors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP;
- ◆ make judgements and accounting 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 charitable company will continue in operation.

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

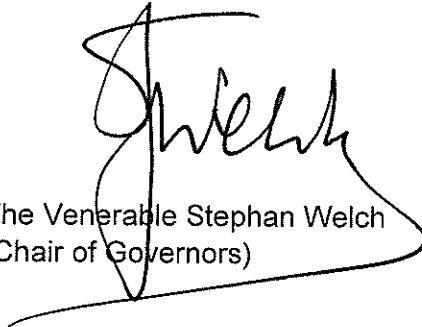
The governors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have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

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

The Chelsea Academy (A Science Academy)

Statement of Governors' Responsibilities (continued)

Approved by order of the members of the Governing Body on 5 December 2013 and signed on its behalf by:



The Venerable Stephan Welch
(Chair of Governors)

The Chelsea Academy (A Science Academy)

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) for the year ended 31 August 2013, which comprise the statement of financial activities, the balance sheet, the cash flow statement, 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 Annual Accounts Direction 2013 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 the governors and the auditor

The governors are responsible for the charitable activities of the Chelsea Academy and are also the directors of the charity for the purposes of company law.

As explained more fully in the statement of governors' responsibilities, 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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The Chelsea Academy (A Science Academy)

Independent Auditor's Report on the Financial Statements to the Members of The Chelsea Academy (A Science Academy) (continued)

Opinion on financial statements

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 2013 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 requirements of the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the Annual Accounts Direction 2013 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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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
- ◆ the financial statements are not in agreement with the accounting records; 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

Date 13 December 2013

The Chelsea Academy (A Science Academy)

Independent Reporting Auditor'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, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Academy during the period from 1 September 2012 to 31 August 2013 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 reporting auditor

The accounting officer is responsible, under the requirements of The Chelsea Academy's funding agreement with the Secretary of State for Education dated 2 April 2007 and the Academies Financial Handbook, extant from 1 September 2012, for ensuring that expenditure is 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. 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 2012 to 31 August 2013 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 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.

The Chelsea Academy (A Science Academy)

Independent Reporting Auditor's Assurance Report on Regularity to The Chelsea Academy (A Science Academy) and the Education Funding Agency (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.

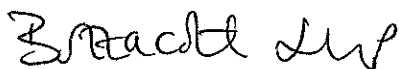
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

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 2012 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date 13 December 2013

The Chelsea Academy (A Science Academy)

Statement of financial activities for the year ended 31 August 2013 (including income and expenditure account and statement of total recognised gains and losses)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Assets Funds £000	Total 2013 £000	Total 2012 £000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
. Voluntary income	3	3	125	53	181	143
. Activities for generating funds	4	59	-	-	59	22
. Investment income	5	2	31	-	33	24
<i>Incoming resources from charitable activities:</i>						
. Funding for the Academy's educational operations and development	6	277	7,420	9	7,706	5,766
Total incoming resources		341	7,576	62	7,979	5,955
Resources expended						
<i>Cost of generating funds:</i>						
. Cost of generating voluntary income		-	4	-	4	4
. Cost of activities for generating funds		51	-	-	51	50
<i>Charitable activities:</i>						
. Academy's educational operations and development	8	240	7,139	1,478	8,857	7,218
<i>Governance costs</i>	9	-	24	-	24	25
Total resources expended	7	291	7,167	1,478	8,936	7,297
Net incoming / (outgoing) resources before transfers		50	409	(1,416)	(957)	(1,342)
Gross transfers between funds	16	-	(158)	158	-	-
Net income/(expenditure) for the year		50	251	(1,258)	(957)	(1,342)
Other recognised gains and losses						
Actuarial gains/ (losses) on defined benefit pension schemes	26	-	125	-	125	(115)
Net movement in funds		50	376	(1,258)	(832)	(1,457)
Reconciliation of funds						
Funds brought forward at 1 September 2012		105	(135)	38,978	38,948	40,405
Funds carried forward at 31 August 2013	16	155	241	37,720	38,116	38,948

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 above statement of financial activities.

The Chelsea Academy (A Science Academy)

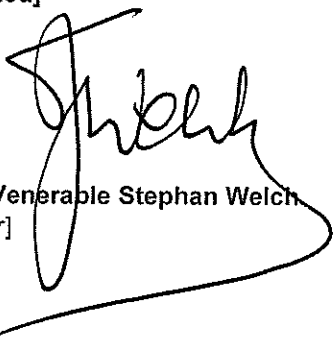
Balance sheet as at 31 August 2013

Company Number - 06176090

	Notes	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	13		37,720		38,978
Current assets					
Debtors	14	438		159	
Cash at bank and in hand		<u>1,083</u>		<u>1,293</u>	
		1,521		1,452	
Creditors: Amounts falling due within one year	15	<u>(893)</u>		<u>(1,213)</u>	
Net current assets			<u>628</u>		<u>239</u>
Net assets excluding pension liability			38,348		39,217
Pension scheme liability	26		<u>(232)</u>		<u>(269)</u>
Net assets including pension liability			<u>38,116</u>		<u>38,948</u>
Funds of the Academy:					
Restricted funds					
. Fixed assets funds	16		37,720		38,978
. General funds	16		473		134
. Pension reserve	16		<u>(232)</u>		<u>(269)</u>
Total restricted funds			<u>37,961</u>		<u>38,843</u>
Unrestricted funds					
. General funds	16		<u>155</u>		<u>105</u>
Total unrestricted funds			<u>155</u>		<u>105</u>
Total funds			<u>38,116</u>		<u>38,948</u>

The financial statements on pages 24 to 47 were approved by the governors, and authorised for issue, on 5 December 2013 and were signed on their behalf by:

[Signed]



The Venerable Stephan Welch
[Chair]

The Chelsea Academy (A Science Academy)

Cash flow statement for the year ended 31 August 2013

	Notes	2013 £000	2012 £000
Net cash (outflow)/inflow from operating activities	20	(54)	997
Returns on investments and servicing of finance	21	2	1
Capital expenditure	22	(158)	(128)
(Decrease)/increase in cash in the year	23	<u>(210)</u>	<u>870</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2012		1,293	423
Net funds at 31 August 2013	23	<u>1,083</u>	<u>1,293</u>

The Chelsea Academy (A Science Academy)

Notes to the Financial Statements for the Year Ended 31 August 2013

1. Statement of accounting policies

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.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

1. Statement of accounting policies (continued)

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. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of the resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

◆ **Costs of Generating Funds**

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

◆ **Charitable Activities**

These are costs incurred on the Academy's educational operations.

◆ **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 inclusive of irrecoverable 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.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets (continued)

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 :

◆ Land and 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.

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.

Stock

The Academy holds no stock considered to be of material value.

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 Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

Statement of accounting policies (continued)

Pension Benefits (continued)

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 26, 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.

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.

2. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy was subject to limits at 31 August 2013 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 2013.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

3 Voluntary income

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Donation from Chelsea Academy Foundation	-	133	133	131
Other donations	3	45	48	12
	<u>3</u>	<u>178</u>	<u>181</u>	<u>143</u>

4 Activities for generating funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Hire of facilities	59	-	59	22
	<u>59</u>	<u>-</u>	<u>59</u>	<u>22</u>

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Bank interest receivable	2	-	2	1
FRS17 adjustment - interest on pension scheme (see note 26)	-	31	31	23
	<u>2</u>	<u>31</u>	<u>33</u>	<u>24</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013
(continued)

6 Funding for Academy's educational operations and development

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2013	2012
	£000	£000	£000	£000
DfE / EFA grants				
. General Annual Grant (GAG) (note 2)	-	6,485	6,485	4,685
. Start Up Grants	-	275	275	600
. Capital Grants	-	9	9	-
. Other DfE / EFA grants	-	307	307	7
	-	<u>7,076</u>	<u>7,076</u>	<u>5,292</u>
Other Government grants				
. RBKC - Special Educational Needs projects (note 27)	-	314	314	243
. RBKC - Educational Excellence (note 27)	-	29	29	-
	-	<u>343</u>	<u>343</u>	<u>243</u>
Other educational incoming resources				
. Music tuition	27	-	27	25
. Catering	148	-	148	105
. School uniforms	18	-	18	-
. Trips	67	-	67	57
. Miscellaneous	17	10	27	44
	<u>277</u>	<u>10</u>	<u>287</u>	<u>231</u>
	<u>277</u>	<u>7,429</u>	<u>7,706</u>	<u>5,766</u>

7 Resources expended

	Staff Costs	Non Pay Expenditure		Total	Total
	(note 10)	Premises	Other Costs	2013	2012
	£000	£000	£000	£000	£000
Costs of generating voluntary income	4	-	-	4	4
Costs of activities for generating funds	51	-	-	51	50
Academy's educational operations					
. Direct costs	4,539	840	1,037	6,416	5,315
. Allocated support costs	757	779	905	2,441	1,903
	<u>5,351</u>	<u>1,619</u>	<u>1,942</u>	<u>8,912</u>	<u>7,272</u>
Governance costs including allocated support costs	6	-	18	24	25
	<u>5,357</u>	<u>1,619</u>	<u>1,960</u>	<u>8,936</u>	<u>7,297</u>

Net incoming/(outgoing) resources for the year include:

	2013	2012
	£000	£000
Operating leases	28	17
Fees payable to auditor	15	14
- audit	-	-
- other services	-	2
Profit/(loss) on disposal of fixed assets	-	-

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

8 Charitable activities - Academy's educational operations and development

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
<i>Direct costs</i>				
Teaching and educational support staff costs	-	4,539	4,539	3,570
Depreciation	-	1,268	1,268	1,210
Technology costs	-	93	93	124
Educational supplies	-	358	358	331
Examination fees	-	62	62	27
Staff development	-	45	45	20
Other direct costs	-	51	51	33
	-	6,416	6,416	5,315
<i>Allocated support costs</i>				
Support staff costs	-	757	757	565
Depreciation	-	210	210	215
Technology costs	-	15	15	22
Recruitment and support	-	127	127	56
Maintenance of premises and equipment	-	188	188	98
Cleaning	-	127	127	127
Rent and rates	-	83	83	64
Energy costs	-	184	184	197
Insurance	-	57	57	51
Security and transport	-	19	19	11
Catering costs	148	208	356	284
Interest cost on pension scheme (note 26)	-	35	35	25
Other support costs	92	191	283	188
	240	2,201	2,441	1,903
	240	8,617	8,857	7,218

9 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Legal and professional fees	-	1	1	-
Auditor's remuneration				
. Audit of financial statements	-	15	15	14
. Other	-	-	-	2
Responsible Officer work	-	2	2	2
Support staff costs	-	6	6	6
Governors' reimbursed expenses	-	-	-	1
	-	24	24	25

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

10 Staff costs

Staff costs during the period were:	2013 £000	2012 £000
Wages and salaries	4,204	3,353
Social security costs	355	288
Pension costs	521	415
	<u>5,080</u>	<u>4,056</u>
Supply teacher costs	70	70
Other agency staff costs	123	41
	<u>5,273</u>	<u>4,167</u>
FRS17 adjustment to staff costs (see note 26)	84	28
	<u>5,357</u>	<u>4,195</u>

The average number of persons (including Senior Leadership Team) employed by the Academy during the year expressed as full time equivalents was as follows:

	2013 No.	2012 No.
Charitable Activities		
Teachers	61	46
Administration and support	48	48
Management	7	7
	<u>116</u>	<u>101</u>

The number of employees whose emoluments, on a full time annual basis, fell within the following bands was:

	2013 No.	2012 No.
£60,001 - £70,000	5	4
£70,001 - £80,000	-	1
£110,001 - £120,000	<u>1</u>	<u>1</u>

Five of the employees above participated in the Teachers' Pension Scheme. During the year ended 31 August 2013 pension contributions for these staff amounted to £48,622 (2012: £52,439). One employee participated in the RBKC pension scheme and pension contributions during the year ended 31 August 2013 amounted to £9,900 (2012 : £9,271).

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

11 Governors' remuneration and expenses

The Principal and staff governors 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 the governors' remuneration was as follows :

Mr Andy Yarrow, Principal	£115,000 - £120,000	(2012 : £115,000 - £120,000)
Mr Gareth Jones, Staff Governor	£55,000 - £60,000	(2012 : £55,000 - £60,000)

During the year ended 31 August 2013, travel and subsistence expenses totalling £451 (2012 : £325) were reimbursed to one governor (2012 : one).

Related party transactions involving the governors are set out in note 27.

12 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 2013 was £1,188 (2012 : £1,188).

The cost of this insurance is included in the total insurance cost.

13 Tangible fixed assets

	Leasehold Land and Buildings £000	Leasehold Additions £000	Furniture and Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost						
At 1 September 2012	39,544	-	740	1,503	28	41,815
Additions	40	60	37	83	-	220
At 31 August 2013	<u>39,584</u>	<u>60</u>	<u>777</u>	<u>1,586</u>	<u>28</u>	<u>42,035</u>
Depreciation						
At 1 September 2012	1,581	-	288	953	15	2,837
Charged in year	791	8	157	516	6	1,478
At 31 August 2013	<u>2,372</u>	<u>8</u>	<u>445</u>	<u>1,469</u>	<u>21</u>	<u>4,315</u>
Net book values						
At 31 August 2013	<u>37,212</u>	<u>52</u>	<u>332</u>	<u>117</u>	<u>7</u>	<u>37,720</u>
At 31 August 2012	<u>37,963</u>	<u>-</u>	<u>452</u>	<u>550</u>	<u>13</u>	<u>38,978</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

14 Debtors

	2013 £000	2012 £000
Trade debtors	48	19
Prepayments	103	29
Other debtors	287	111
	<u>438</u>	<u>159</u>

15 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	399	191
Other taxation and social security	114	95
Other creditors	160	824
Accruals and deferred income	220	103
	<u>893</u>	<u>1,213</u>

Deferred income

	2013 £000	2012 £000
Deferred income at 1 September	70	47
Resources deferred in the year	80	30
Amounts released from previous years	(26)	(7)
Deferred income at 31 August	<u>124</u>	<u>70</u>

Deferred income held at 31 August 2013 comprises the balance transferred from the LDBS (£40,000), income received for future trips (£32,000), business rates refund from EFA relating to 2013/14 (£25,000), 2013/14 capital grant from EFA (£14,000), 16-19 Bursary Fund for future disbursement (£8,000) and income for future use by the Sport & Well-being Faculty (£5,000).

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

16 Funds

	Balance at 1 September 2012 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2013 £000
DfE/EFA Restricted general funds					
GAG (note 2)	-	6,485	(5,868)	(158)	459
Start Up Grant	89	275	(364)	-	-
Other DfE/EFA grants	33	307	(340)	-	-
Other	1	10	(8)	-	3
	123	7,077	(6,580)	(158)	462
Other general restricted funds					
RBKC - SEN	-	314	(314)	-	-
RBKC - Educational Excellence	-	29	(29)	-	-
Chelsea Academy Foundation	9	109	(109)	-	9
Other	2	16	(16)	-	2
	11	468	(468)	-	11
Restricted General Funds	134	7,545	(7,048)	(158)	473
Pension reserve (note 26)	(269)	31	(119)	125	(232)
Restricted fixed asset funds					
DfE/EFA capital grants	33,122	9	(1,257)	130	32,004
Local Authority capital funding	3,876		(146)		3,730
Private sector capital sponsorship	1,980	53	(75)	28	1,986
	38,978	62	(1,478)	158	37,720
Total restricted funds	38,843	7,638	(8,645)	125	37,961
Unrestricted funds					
General funds	105	341	(291)	-	155
Total unrestricted funds	105	341	(291)	-	155
Total funds	38,948	7,979	(8,936)	125	38,116

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

Restricted general funds

This fund represents grants received for the Academy's operational activities and development. Under the funding agreement with the Secretary of State, the Academy was subject to a limit on the amount of GAG that it could carry forward at 31 August 2013. Note 2 discloses whether the limit was exceeded. 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.

Other restricted funds

From time to time, additional funds are applied as set out above for specific purposes laid down by the grant provider and to be used in the short term.

Fixed assets 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. A £158,000 was transferred from the GAG surplus to supplement the capital income in order to meet the required £220,000 capital expenditure.

Unrestricted funds

The unrestricted funds represent funds available to the governors to apply for the general purposes of the Academy.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

17 Analysis of net assets between funds

Fund balances at 31 August 2013 are represented by:

	Unrestricted Funds	Restricted General and Other Funds	Restricted Fixed Assets Funds	Total Funds
	£000	£000	£000	£000
Tangible fixed assets			37,720	37,720
Current assets	155	1,366		1,521
Current liabilities		(893)		(893)
Pension scheme liability		(232)		(232)
Total net assets	155	241	37,720	38,116

18 Capital Commitments

	2013 £000	2012 £000
Contracted for, but not provided in the financial statements	-	-

19 Financial commitments

Operating leases

At 31 August 2013 the Academy had annual commitments under non-cancellable operating leases for property and equipment as follows:

	2013 £000	2012 £000
Land and buildings		
Expiring within two and five years inclusive	24	-
	<u>24</u>	<u>-</u>
Other		
Expiring within two and five years inclusive	13	16
	<u>13</u>	<u>16</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

	2013 £000	2012 £000
20 Reconciliation of net expenditure to net cash inflow/(outflow) from operating activities		
Net expenditure	(957)	(1,342)
Depreciation (note 13)	1,478	1,425
Capital grants from DfE and other capital income	(62)	-
Interest receivable (note 5)	(2)	(1)
FRS 17 pension cost less contributions payable (note 26)	84	28
FRS 17 pension finance income (note 26)	4	2
(Increase)/decrease in debtors	(279)	770
(Decrease)/increase in creditors	(320)	115
Net cash (outflow)/inflow from operating activities	<u>(54)</u>	<u>997</u>

	2013 £000	2012 £000
21 Returns on investments and servicing of finance		
Interest received	<u>2</u>	<u>1</u>
Net cash inflow from returns on investment and servicing of finance	<u>2</u>	<u>1</u>

	2013 £000	2012 £000
22 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(220)	(128)
Capital grants from DfE/EFA	9	-
Capital funding received from sponsors and others	53	-
Net cash outflow from capital expenditure and financial investment	<u>(158)</u>	<u>(128)</u>

23 Analysis of changes in net funds	At 1 September		At 31 August	
	2012 £000	Cash flows £000	2013 £000	2013 £000
Cash in hand and at bank	<u>1,293</u>	<u>(210)</u>	<u>1,083</u>	

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

24 Contingent liabilities

Funding Agreement

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required to re-invest the proceeds or to repay the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State. Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to :

- (a) the value at that time of the Academy's site and premises and other assets held for the purpose of the Academy; and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the funding agreement.

25 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.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

26 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 & Chelsea Pension Fund. 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 2004 and of the LGPS 31 March 2010.

Contributions amounting to £74,000 (2012 : £56,000) were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefits scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers, and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pension Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the costs 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

At the last valuation, the contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the costs of the benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in the future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. From 1 April 2012 teachers contributions were tiered, with the rate of contribution being determined by income, ranging from 6.4% to 8.8%. From 1 April 2013 these tiered rates ranged from 6.4% to 11.2%.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

26 Pension and similar obligations (continued)

Valuation of the Teachers' Pension Scheme (continued)

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pension Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations 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 and Ministers engaged in extensive discussions with trade unions and other representative bodies on the reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

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. Importantly, 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 just 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 this was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rate by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer 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.

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme

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 2013 was £213,000, of which employer's contributions totalled £150,000 and employees' contributions totalled £63,000. The agreed contribution rates are 13.3% for employers and between 5.5% and 7.5% for employees.

The Chelsea Academy share of the scheme net deficit was calculated to be £232,000 as at 31 August 2013 (£269,000 - 2012). The level of contribution was reviewed as a result of the triennial valuation of the scheme as at 31 March 2010.

Principal Actuarial Assumptions	At 31 August 2013	At 31 August 2012
Rate of increase in salaries	4.80%	4.00%
Rate of increase for pensions in payment / inflation	2.60%	1.80%
Discount rate for scheme liabilities	4.80%	3.90%
Inflation assumption (CPI)	2.60%	1.80%
Commutation of pensions to lump sums	<u>50%</u>	<u>50%</u>

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 2013	At 31 August 2012
<i>Retiring today</i>		
Males	19.2	19.0
Females	23.2	23.1
<i>Retiring in 20 years</i>		
Males	21.1	21.0
Females	<u>25.1</u>	<u>25.0</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (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 2013	Fair Value at 31 August 2013	Expected return at 31 August 2012	Fair Value at 31 August 2012
		£'000		£'000
Equities	6.40%	571	5.80%	285
Gilts	3.40%	8	2.80%	5
Property	5.40%	25	4.80%	18
Cash	0.50%	8	3.00%	9
Target Return Portfolio	4.80%	227	4.40%	136
Total market value of assets	5.80%	839	5.20%	453
Present value of scheme liabilities				
- Funded		(1,071)		(722)
		<u>(232)</u>		<u>(269)</u>

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £117,000 (2012:£14,000)

Amounts recognised in the statement of financial activities

	2103 £'000	2012 £'000
Current service cost (net of employee contributions)	290	183
Total operating charge	<u>290</u>	<u>183</u>

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	31	23
Interest on pension liabilities	(35)	(25)
Pension finance costs	<u>(4)</u>	<u>(2)</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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 £22,000 loss (2012: £147,000 loss).

Movements in the present value of defined benefit obligations were as follows

	2013	2012
	£'000	£'000
At 1 September	722	358
Current service cost	290	183
Interest cost	35	25
Employee contributions	63	53
Actuarial loss	(39)	106
Benefits paid	-	(3)
At 31 August	1,071	722

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

Movements in the fair value of Academy's share of scheme assets:

	2013 £'000	2012 £'000
At 1 September	453	234
Expected return on assets	31	23
Actuarial (losses)/gain	86	(9)
Employer contributions	206	155
Employee contributions	63	53
Benefits paid	-	(3)
At 31 August	<u>839</u>	<u>453</u>

The estimated value of employer contributions for the year ended 31 August 2013, for FRS 17 purposes is £228,000 (2012 : £134,000).

The four year history of experience adjustments is as follows :

	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligations	(1,071)	(722)	(358)
Fair value of share of scheme assets	839	453	234
Deficit in the scheme	<u>(232)</u>	<u>(269)</u>	<u>(124)</u>
Experience adjustments on share of scheme assets	86	(9)	38
Experience adjustments on share of scheme liabilities	-	-	<u>(22)</u>

The Chelsea Academy (A Science Academy)

Notes to the financial statements for the year ended 31 August 2013 (continued)

27 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 and the London Diocesan Board for Schools. During the year £313,632 (2012: £243,400) was received from RBKC for SEN funding and £28,850 from their Education Excellence Fund (2012 : nil). There were no funds received from the LDBS (2012: 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 £102,615, including business rates (2012 : £35,157) and £79,213 to LDBS (2012 : £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 £109,000 of the Academy's expenditure (2012 : £131,000) of which, £22,000 was still owing as at 31 August 2013 (2012 : £60,000).

28 Events after the balance sheet date

There were no events to disclose.