

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

**Annual Report and Financial
Statements**

31 August 2019

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

Contents

Reports

Reference and administrative information	1
Governors' report	3
Governance statement	13
Statement of regularity, propriety and compliance	17
Statement of Governors' responsibilities	18
Independent auditor's report on the financial statements	19
Independent reporting accountant's report on regularity	22

Financial statements

Statement of financial activities	24
Balance sheet	25
Statement of cash flows	26
Principal accounting policies	27
Notes to the financial statements	33

Reference and administrative information

Members	London Diocesan Board for Schools The Royal Borough of Kensington and Chelsea
Governors	Lady Sassoon (Chair) Ms D Huntingford (Vice-Chair until 13 December 2018) Revd B Leathard (Vice-Chair until 2 July 2019) Ms J Birkett (Vice-Chair from 17 October 2019) Mr T Gilchrist (until 31 August 2019) Ms S Harris Mr J Henry (from 2 September 2019) Reverend S Hole (from 29 October 2019) Mr M Lami Ms N Lupton Ms L Malkin Mr D McCarthy (until 11 November 2019) Dr M Richards Ms K Roskell Mr J Simmonds Ms C Williams Mr M Williams
Company Secretary	Lucian Boyd Harte
Senior Leadership Team	(at 31 August 2019)
Principal	Matthew Williams
Vice Principal	Niamh McGuinness (from 1 September 2019)
Vice Principal	Hannah Blake (until 31 August 2019)
Vice Principal	Bernie Whittle
Vice Principal	Sam Ainsworth (Acting) (until 31 August 2019)
Director of Finance and Operations	Lucian Boyd Harte
Assistant Principal	Emma Rickford
Assistant Principal	Georgina Michelides
Assistant Principal	Holly Power
Assistant Principal	David Greene (from 1 September 2019)

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	Eversheds Sutherland LLP One Wood Street London EC2V 7WS

Governors' report Year to 31 August 2019

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 2019. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 27 to 32 of the attached financial statements and comply with the Academy's memorandum and articles of association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

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. 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.

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.

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 served during the year as shown below:

Governor	Appointed	Resigned
Lady Sassoon (Chair)		
Ms Diana Huntingford (Vice-Chair)		13 December 2018
Ms Joanna Birkett (Vice-Chair)		
Revd Brian Leathard (Vice Chair 13 December 2018 - 2 July 2019)		2 July 2019
Mr Tim Gilchrist		31 August 2019
Mrs Susan Harris		
Mr Jonjo Henry	2 September 2019	
Reverend Sam Hole	29 October 2019	
Mr Massimiliano Lami		
Ms Nicola Lupton		
Ms Laura Malkin		
Mr Dominic McCarthy		11 November 2019
Dr Mark Richards		
Ms Kate Roskell		
Mr Julian Simmonds		
Ms Catherine Williams		
Mr Matthew Williams		

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 Chelsea Academy;
- ◆ one elected parent governor;
- ◆ one elected staff 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)

Method of recruitment and appointment or election of Governors (continued)

Governors receive an induction and training programme on the Academy's policies and procedures 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 core 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;
- ◆ the Academy's 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 and Skills Funding Agency (ESFA).

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 his own responsibilities. The Principal is the Academy's Accounting Officer.

Arrangements for setting pay and remuneration of key management personnel

Key management personnel comprise the Governors and the Senior Leadership Team as shown on page 1. As directors of the company, the Governors of the Academy are classed as key management personnel together with the Senior Leadership Team. However, their role is non-executive and the day-to-day management of the Academy is undertaken by the Senior Leadership Team. The Governors are not remunerated for their role as Governors.

The Remuneration Committee delegates the day-to-day implementation of the Pay Policy to the Principal. This includes setting initial pay levels, within the agreed pay structure, for all new staff and existing staff being appointed to new positions. It also includes decisions regarding the awarding of additional responsibility allowances and any revision of pay scales resulting from agreed changes to job descriptions, other than changes affecting Senior Leadership Team posts.

The Remuneration Committee is responsible for any decisions regarding exceptions to the pay policy and any changes relating to the pay of the Vice Principals, Director of Finance and Operations and Principal.

The Remuneration Committee will consider movement by a member of staff by more than one point on the Academy's pay scale in exceptional circumstances.

The responsibility for performance management, with the exception of that of the Principal, is delegated to the Principal and subsequently to other line managers. All pay decisions for the Vice Principals and Director of Finance and Operations will be based on recommendations by the Principal and for the Principal it will be based on the recommendation of the Chair of Governors and the Chair of the Remuneration Committee. The Remuneration Committee, acting on behalf of the Board of Governors, will quality control these decisions and ensure that they are fair and transparently applied. The Remuneration Committee will also consider pay progression of over one point.

Leadership pay is within the recommended minimum and maximum thresholds of the Standard Teachers Pay and Conditions Document (STPCD) 2018 (paragraph 4.4, page 10, STPCD, 2018).

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
1	1

Percentage of time spent on facility time

Percentage of time	Number of employees
1% - 50%	1

Percentage of pay bill spent on facility time

Total cost of facility time	£1,850
Total pay bill	£6,560,000
Percentage of the total pay bill spent on facility time	0.03%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0.02%
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Risk management

During the year ended 31 August 2019, 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 teaching, the 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 a system of internal financial control and more details are provided on page 15.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Connected organisations, including related party relationships

The Academy's sponsors are the Royal Borough of Kensington and Chelsea (RBKC) and the London Diocesan Board for Schools (LDBS). Details of any financial transactions during the year with these two organisations are given in note 20.

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 20.

OBJECTIVES AND OUTCOMES

Chelsea Academy is a mixed Church of England Academy for students aged between 11 and 19 years. It is jointly sponsored by the London Diocesan Board for Schools and the Royal Borough of Kensington and Chelsea. The sponsors' vision is for a school that serves its local community and has a distinctive Christian ethos. Our objective is to deliver a high quality education for all students that attend the Academy.

The Academy opened in September 2009 and has places for 180 students per year group. Over 900 applications were received for the Academy's current and forthcoming Year 7 cohorts.

Chelsea Academy was graded outstanding by Ofsted in May 2012 and by the National Society and the Methodist Church for the conduct of the Statutory Inspection of Anglican and Methodist Schools (SIAMS) in July 2012 and July 2017. It was awarded the Investors in People Gold Kitemark for the fourth time in April 2017. The Academy also received the NACE challenge award in March 2017 and received three SSAT awards for examination success in the summer of 2016 and 2017. In September 2019 the Academy was awarded a Platinum Artsmark Award. The Academy is a Leading Edge School and has been accredited as a World Class School in 2014 and 2018. In the summer of 2018 the Academy's examination results were in the top 5% nationally for progress at post 16 and the top 10% of schools nationally at GCSE.

The Academy's specialism is the Sciences. The vision of the science specialism is for all students to develop an understanding of the importance of science. It is our priority to ensure that students are enthused by science and we work hard to teach engaging and memorable lessons. 70% of our Sixth Form students study a science and, through developing strong links with universities, we have ensured that they are aware of the career opportunities that studying science can lead to.

10% of places are awarded to students with an aptitude in music. Of the remaining places, 50% are foundation (church) places and 50% are community (open) places. Priority is given to the siblings of students who attend the Academy.

The ability profile of the students that attend Chelsea Academy is slightly above the national average. The catchment is diverse and its deprivation indicators are slightly worse than the national average according to Analyse School Performance (ASP).

OBJECTIVES AND OUTCOMES (continued)

Vision Statement

As we enter our eleventh year, we have revised our vision, mission and values and re-defined our curriculum intent. Chelsea Academy is Anchored in Christ.

- ◆ Our vision is learning together to flourish.
- ◆ Our mission is to work hard, be kind and no excuses.
- ◆ Our values are joy, perseverance, forgiveness, charity and servant leadership.
- ◆ Our curriculum intent is: At Chelsea Academy we educate the whole child. We inspire our students to become happy and employable young people equipped with the skills and integrity to **flourish** in a changing world.

STRATEGIC REPORT

Achievements, performance and review of activities

This has been another successful year for Chelsea Academy, our A level results are now in the top 5% of all schools nationally in terms of progress and our GCSE results in the top 10% nationally. Our English and Maths results were particularly impressive with 91% of students passing English and 82% passing maths. Our results now place us as one of the highest performing state schools nationally. Six students in year 13 gained places to either Oxford or Cambridge University and a further 35% gained places at Russell Group Universities.

Public benefit

The Governors confirm that they have considered the ^{advice} 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.

Financial review

Financial report for the year

The financial position of the Academy at 31 August 2019 was sound. The Academy incurred an operating surplus of £122,000 equivalent to 1.47% of its income (2018 – surplus of £89,000, equivalent to 1.08% of its income). The reconciliation between the net movement in funds and the operating surplus above is shown in note 22.

The results for the year are shown on page 25.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial report for the year (continued)

The net reduction in funds for the year was £1,756,000 (2018 - £65,000). This was made up as follows:

- ◆ The operating surplus, which excludes transactions relating to the fixed asset fund and FRS 102 pension liability adjustments, was £122,000 (2018 – surplus of £89,000).
- ◆ The actuarial losses in the year were £729,000 (2018 – gains of £1,017,000). In addition, the valuation of the Local Government Pension Scheme (LGPS) resulted in a non-cash charge to expenditure of £369,000 (2018 - £399,000).
- ◆ The other factors contributing to the difference between the operating surplus and the net movement in funds were the depreciation charge of £860,000 (2018 - £833,000), fixed asset fund income of £80,000 (2018 - £23,000) and transfers of £73,000 (2018 - £38,000) representing unrestricted funds utilised on fixed asset purchases relating to a prior year.

The pension liability adjustments and depreciation charge have had no cash impact on the Academy or other effect on its normal operations during the year to 31 August 2019. The pension liability adjustments represent the additional cost this year of providing the Academy's future pension obligations to its staff. These adjustments are derived from changes in actuarial assumptions and are a long-term liability. Staff costs as a percentage of total income, excluding capital grants, increased from 76.4% in 2017/18 to 76.6% in 2018/19 (excluding notional pension adjustments for the LGPS).

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 strategic risk register is reviewed at each of its meetings by the Finance and Audit 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

As at 31 August 2019 the Academy had reserves of £1,068,000 (2018 - £1,019,000) made up of unrestricted funds (also free reserves) of £477,000 (2018 - £387,000) and £591,000 (2018 - £632,000) restricted general funds, which may be used for any education-related purpose. This capital would cover the Academy for 2 months' worth of its payroll costs. 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, future investments and any other unforeseen contingencies.

The Governors aim to maintain the level of reserves over time, without adversely affecting the ability of the Academy to achieve its other objectives.

STRATEGIC REPORT (continued)

Financial review (continued)

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 and has left all surplus funds on deposit.

Principal risks and uncertainties

There are three 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;
- ◆ 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; and
- ◆ retaining and recruiting high quality staff.

The Academy is mitigating these risks through seeking to ensure that we have a balanced budget, modelling different budget scenarios and ensuring the Academy has time to implement changes, if required. The Principal sits on the Schools Forum so has access to forward projections from the LA and can plan for the impact on the Academy.

The funding of both the Teachers' Pension Scheme and Local Government Pension Scheme remain the major non-operational financial risks for the Academy.

FUNDRAISING

Chelsea Academy did not carry out any direct fundraising in 2018/19 but works closely with Chelsea Academy Foundation (a related party – see note 20) which works to support the Academy via its own fundraising and its own donations back to Chelsea Academy.

PLANS FOR FUTURE PERIODS

The Academy development plan

The Academy, now in its eleventh year is continuing to focus on its aim of being 'one of the best schools in London by 2020'. We have four priorities between now and 2020. These are:

- ◆ *Priority 1:* Achieving academic excellence.
- ◆ *Priority 2:* Providing the skills and opportunities to develop happy and employable young people.
- ◆ *Priority 3:* Being a beacon of excellence in terms of links with external partners, innovative staff development and excellent behaviour.
- ◆ *Priority 4:* Being a safe, respectful, tolerant community based on Christian values.

Areas for Academy development in 2019 and 2020

- ◆ Ensure that the Academy curriculum is reviewed regularly so that it is cost efficient and offers attractive pathways for all students.
- ◆ Ensure that the outcomes, (e.g. exam results), for students are in the top 10% of schools nationally.
- ◆ Ensure that the Academy is first choice for both local families and those that attend church.

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.

Governors' report, incorporating a strategic report, approved by order of the Governing Body on and signed on its behalf by:



Chair of Governors
Date: 12 December 2019

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 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 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 Governors 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
Lady Sassoon (Chair)	4	4
Revd Brian Leathard (Vice-Chair)	3	4
Ms Joanna Birkett	4	4
Mr Tim Gilchrist	4	4
Mrs Susan Harris	4	4
Ms Diana Huntingford	2	2
Mr Massimiliano Lami	2	4
Ms Nicola Lupton	3	4
Ms Laura Malkin	3	4
Mr Dominic McCarthy	2	4
Dr Mark Richards	4	4
Ms Kate Roskell	3	4
Mr Julian Simmonds	4	4
Ms Catherine Williams	2	4
Mr Matthew Williams	4	4

The Board met less than six times in 2018/19. It has maintained effective oversight of funds with fewer meetings by delegating certain areas to sub-committees, which are described on the following pages.

Governance reviews

An internal governance review took place in November 2018. The Governors have also embarked on a process of self-evaluation and training in conjunction with the Leadership Team. The Governors have completed a skills audit and a 360 review of the Chair has taken place. Training sessions have looked at performance management, marking and feedback, SEN and curriculum development. The Board of Governors is made up of a balance of experience and skills that allow the education, finance, legal and HR aspects of the Academy to be challenged and supported.

Governance (continued)

Governance reviews (continued)

The **Finance and Audit 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:

Committee member	Meetings attended	Out of a possible
Mr Julian Simmonds (Chair)	3	3
Ms Joanna Birkett	3	3
Mr Tim Gilchrist	3	3
Mr Massimiliano Lami	1	3
Mr Dominic McCarthy	2	3
Dr Mark Richards	2	3
Ms Kathryn Roskell	3	3
Lady Sassoon	2	3
Mr Matthew Williams	2	3
Mr Inigo Woolf	3	3

In addition to the Finance and Audit Committee, governance is exercised through a number of other Committees, including the Students and Curriculum Committee and the Remuneration Committee.

Review of value for money

As Accounting Officer, the Principal has responsibility for ensuring that the Academy delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Academy's use of its resources has provided good value for money during the academic year and reports to the Governors where value for money can be improved, including the use of benchmarking data where available. The Academy has delivered and improved value for money during the year by:

- ◆ Combining transactions to obtain volume discount, collaborating with other departments to obtain better prices and securing discounts from bulk buying.
- ◆ Optimising the cost of delivering services and goods over the full life of contracts, rather than minimising the initial price.
- ◆ Competitively tendering major spends and presenting them to the Finance and Audit Committee for scrutiny and justification for value for money.
- ◆ Reviewing all contracts to ensure that they offer value for money and changing suppliers for key items such as gas and electricity and consumables.

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.

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 2019 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 Finance and Audit 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; and
- ◆ identification and management of risks.

The Board of Governors has considered the need for a specific internal audit function and appointed Buzzacott LLP as the Academy's internal auditor for the financial year. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. 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. During 2018-19 there was one internal audit focused on key financial controls.

The risk and control framework (continued)

In the year ended 31 August 2019, the Governors confirm that the internal audit function has been delivered in line with requirements of the ESFA 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;
- ◆ 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 and Audit Committee of the implications of his review of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Governing Body on 12 December 2019 and signed on their behalf by:



(Chair of Governors)



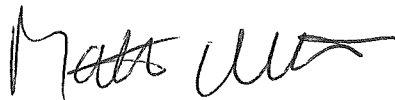
(Accounting Officer)

Statement on regularity, propriety and compliance 31 August 2019

As Accounting Officer of The Chelsea Academy (A Science Academy), I have considered my responsibility to notify the Academy's Board of Governors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the Academy's 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. If any instances are identified after the date of this statement, these will be notified to the Board of Governors and ESFA.

A handwritten signature in black ink, appearing to read 'Matt Ull', is written over a horizontal line.

Accounting Officer

Date: 12 December 2019

Statement of Governors' responsibilities 31 August 2019

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 and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law, the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Academy and of 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 2015 and the Academies Accounts Direction 2018 to 2019;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) 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 ESFA/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 12 December 2019 and signed on its behalf by:

Chair of Governors 

Independent auditor's report to the members of The Chelsea Academy (A Science Academy)

Opinion

We have audited the financial statements of The Chelsea Academy (A Science Academy) (the 'charitable company') for the year ended 31 August 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP 2015) and the Academies Accounts Direction 2018 to 2019.

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 2019 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ◆ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2018 to 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- ◆ the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Conclusions relating to going concern (continued)

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

Other information (covering the reference and administrative details, the report of the Governors and Strategic Report and the Governance Statement)

The Governors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Governors' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Governors' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report including the strategic report.

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

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records or 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.

Responsibilities of Governors

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.



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

17 December 2019

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

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, 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 2018 to 31 August 2019 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 ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Chelsea Academy (A Science Academy) and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Chelsea Academy's Accounting Officer and the reporting accountant

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 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 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 2018 to 2019 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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 2018 to 31 August 2019 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

17 December 2019

Statement of financial activities (including income and expenditure account)

Year to 31 August 2019

	Notes	Restricted funds		2019 Total funds £000	2018 Total funds £000	
		Un- restricted general fund £000	General £000			Fixed assets fund £000
Income from:						
Donations and capital grants	2	—	82	80	162	99
Charitable activities						
. Funding for the Academy's educational operations	4	—	7,770	—	7,770	7,681
Other trading activities	3	176	99	—	275	487
Total income		176	7,951	80	8,207	8,267
Expenditure on:						
Charitable activities						
. Academy's educational operations	6	86	8,288	860	9,234	9,349
Total expenditure	5	86	8,288	860	9,234	9,349
Net income (expenditure) before transfers		90	(337)	(780)	(1,027)	(1,082)
Transfers between funds	15	—	(73)	73	—	—
Net income (expenditure)		90	(410)	(707)	(1,027)	(1,082)
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension scheme	19	—	(729)	—	(729)	1,017
Net movement in funds		90	(1,139)	(707)	(1,756)	(65)
Reconciliation of funds						
Total fund balances brought forward at 1 September 2018		387	(1,148)	33,340	32,579	32,644
Total fund balances carried forward at 31 August 2019		477	(2,287)	32,633	30,823	32,579

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

All gains and losses are included in the above Statement of Financial Activities.

Balance sheet 31 August 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	11		16		26
Tangible assets	12		32,607		33,387
			<u>32,623</u>		<u>33,413</u>
Current assets					
Stock		—		17	
Debtors	13	336		350	
Cash at bank and in hand		1,241		1,143	
		<u>1,577</u>		<u>1,510</u>	
Liabilities					
Creditors: amounts falling due within one year	14	(499)		(564)	
Net current assets			<u>1,078</u>		<u>946</u>
Net assets excluding pension scheme liability					
			33,701		34,359
Defined benefit pension scheme liability	19		(2,878)		(1,780)
Total net assets			<u>30,823</u>		<u>32,579</u>
Restricted funds					
Fixed assets fund			32,633		33,340
Restricted income fund	15		591		632
Pension reserve	15		(2,878)		(1,780)
Total restricted funds	15		<u>30,346</u>		<u>32,192</u>
Unrestricted income funds					
General fund	15		477		387
Total funds			<u>30,823</u>		<u>32,579</u>

The financial statements on page 24 to 47 were approved by the Governors, and authorised for issue on 12 December 2019 and are signed on their behalf by:



Chair

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

Statement of cash flows Year to 31 August 2019

	Notes	2019 £'000	2018 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	88	137
Cash flows provided by (used in) investing activities			
	B	10	(38)
Change in cash and cash equivalents in the year		98	99
Reconciliation of net cash flow to movement in net funds:			
Cash and cash equivalents at 1 September 2018		1,143	1,044
Cash and cash equivalents at 31 August 2019	C	1,241	1,143

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

	2019 £'000	2018 £'000
Net expenditure for the year (as per the statement of financial activities)	(1,027)	(1,082)
Adjusted for:		
Amortisation (note 11)	10	5
Depreciation (note 12)	850	828
Capital grants from DfE and other capital income	(80)	(23)
Defined benefit pension scheme cost less contributions payable (note 20)	324	339
Defined benefit pension scheme finance cost (note 20)	45	60
Decrease (increase) in stock	17	(1)
Decrease in debtors	14	74
Decrease in creditors	(65)	(63)
Net cash provided by operating activities	88	137

B Cash flows provided by (used in) investing activities

	2019 £'000	2018 £'000
Purchase of intangible fixed assets	—	(3)
Purchase of tangible fixed assets	(70)	(58)
Capital grants from DfE/ESFA	80	23
Net cash flows provided by (used in) investing activities	10	(38)

C Analysis of cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	1,241	1,143
Total cash and cash equivalents	1,241	1,143

Principal accounting policies Year to 31 August 2019

Statement of accounting policies

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

Basis of preparation

The financial statements of the Academy, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Chelsea Academy meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand.

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 Academy to continue as a going concern. The Governors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All income is recognised when the Academy has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

Income (continued)

Grants (continued)

The General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Sponsorship income

Sponsorship income provided to the Academy which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Academy has provided the goods or services.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity.

Charitable activities

These are costs incurred on the Academy's educational operations, including support costs and costs relating to the governance of the Academy apportioned to charitable activities.

All expenditure is 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 and equipment	20%
◆ Computer equipment	33%
◆ Motor vehicles	20%

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.

Intangible fixed assets

Intangible assets are valued at the cost to the Academy of acquiring these assets. Amortisation of intangible fixed assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives. All intangible assets are assumed to have useful lives of three years and are amortised accordingly at an annual rate of 33%, from the date they are brought into use. An annual impairment review is carried out for each asset after it has been brought into use to re-assess its remaining useful life and that it still meets the definition of an intangible asset.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Leased assets

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

Financial instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

The Academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions benefits

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

Pensions 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 quadrennial valuations using a prospective unit credit method. As stated in note 19, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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 credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund accounting

Unrestricted income funds 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 ESFA, 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 ESFA and Department for Education.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and areas of judgement (continued)

Critical accounting estimates and assumptions

The Academy makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Agency arrangements

The Academy acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Academy Trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 23.

1 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the Academy was subject to limits at 31 August 2019 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 2019.

2 Donations and capital grants

	Restricted funds £000	Restricted fixed assets funds £000	2019 Total funds £000
2019			
Capital grants	—	80	80
Other donations	82	—	82
	82	80	162

	Restricted funds £000	Restricted fixed assets funds £000	2018 Total funds £000
2018			
Capital grants	—	23	23
Other donations	76	—	76
	76	23	99

3 Other trading activities

	Unrestricted funds £000	Restricted funds £000	2019 Total funds £000
2019			
Hire of facilities/ lettings income	133	—	133
Trip income	43	14	57
Miscellaneous income	—	85	85
	176	99	275

	Unrestricted funds £000	Restricted funds £000	2018 Total funds £000
2018			
Hire of facilities/ lettings income	130	—	130
Trip income	37	—	37
Catering income	271	—	271
Miscellaneous income	—	49	49
	438	49	487

4 Funding for the Academy's educational operations

	Unrestricted funds £000	Restricted funds £000	2019 Total funds £000
2019			
DfE/ESFA grants			
. General Annual Grant (GAG) (note 1)	—	7,147	7,147
. Other DfE/ESFA grants	—	483	483
	—	7,630	7,630
Other Government grants			
. Local authority grants	—	140	140
	—	140	140
	—	7,770	7,770
2018			
DfE/ESFA grants			
. General Annual Grant (GAG) (note 1)	—	7,084	7,084
. Other DfE/ESFA grants	—	425	425
	—	7,509	7,509
Other Government grants			
. Local authority grants	—	172	172
	—	172	172
	—	7,681	7,681

5 Expenditure

	Staff costs (note 8) £000	Non pay expenditure		2019 Total funds £000
		Premises £000	Other costs £000	
2019				
Academy's educational operations (note 6)				
. Direct costs	5,543	850	784	7,177
. Support costs	1,017	591	449	2,057
	6,560	1,441	1,233	9,234
2018				
Academy's educational operations (note 6)				
. Direct costs	5,474	833	624	6,931
. Support costs	1,168	574	676	2,418
	6,642	1,407	1,300	9,349

Notes to the financial statements Year to 31 August 2019

5 Expenditure (continued)

	2019 Total funds £000	2018 Total funds £000
Net expenditure for the year is stated after charging:		
Operating lease rentals	65	58
Depreciation	850	828
Amortisation of intangible fixed assets	10	5
Fees payable to auditor		
. Statutory audit	13	12
. Other services	8	4

6 Charitable activities – Academy's educational operations

	2019 Total funds £000	2018 Total funds £000
Direct costs	7,177	6,931
Support costs	2,057	2,418
	9,234	9,349

Analysis of support costs	2019 Total funds £000	2018 Total funds £000
Support staff costs	1,017	1,168
Technology costs	39	32
Premises costs	591	574
Other support costs	388	628
Governance costs	22	16
Total support costs	2,057	2,418

7 Comparative information

Analysis of income and expenditure in the year ended 31 August 2018 between restricted and unrestricted funds:

	Un-restricted general fund £000	Restricted funds		2018 Total funds £000
		General £000	Fixed assets fund £000	
Income from:				
Donations and capital grants	—	76	23	99
Charitable activities				
. Funding for the Academy's educational operations	—	7,681	—	7,681
Other trading activities	438	49	—	487
Total income	438	7,806	23	8,267
Expenditure on:				
Charitable activities				
. Academy's educational operations	309	8,207	833	9,349
Total expenditure	309	8,207	833	9,349
Net income (expenditure) before transfers	129	(401)	(810)	(1,082)
Transfers between funds	(38)	—	38	—
Net income (expenditure)	91	(401)	(772)	(1,082)
Other recognised gains and losses				
Actuarial gains on defined benefit pension scheme	—	1,017	—	1,017
Net movement in funds	91	616	(772)	(65)
Reconciliation of funds				
Total fund balances brought forward at 1 September 2017	296	(1,764)	34,112	32,644
Total fund balances carried forward at 31 August 2018	387	(1,148)	33,340	32,579

8 Staff

(a) Staff costs

Staff costs during the year were:

	2019 Total funds £000	2018 Total funds £000
Wages and salaries	4,758	4,793
Social security costs	523	529
Pensions	981	1,050
	6,262	6,372
Supply teacher costs	289	264
Staff restructuring costs	9	6
	6,560	6,642

	2019 £'000	2018 £'000
Staff restructuring costs comprise		
Redundancy payments	9	6
	9	6

(b) Staff severance payments

No staff restructuring costs above for the year ended 31 August 2019 relate to non-statutory or non-contractual severance payments. There were no such payments in 2018/19 (2017/18 – none).

(c) Staff numbers

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2019 was as follows:

Charitable activities	2019 No.	2018 No.
Teachers	68	70
Administration and support	45	54
Management	9	9
	122	133

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2019 expressed as full time equivalents was as follows:

Charitable activities	2019 No.	2018 No.
Teachers	67	68
Administration and support	36	39
Management	9	9
	112	116

8 Staff (continued)

(d) Higher paid staff

The number of employees whose emoluments (excluding employer pension costs) fell within the following bands was:

	2019 No.	2018 No.
£60,001 - £70,000	7	5
£70,001 - £80,000	2	1
£80,001 - £90,000	1	1
£120,001 - £130,000	1	1

All of the above employees participated in either the Teachers' Pension Scheme (TPS) or the Local Government Pension Scheme (LGPS). During the year ended 31 August 2019 pension contributions to TPS for these staff members amounted to £124,765 (2018 - £96,845).

e) Key management personnel

The key management personnel of the Academy comprise the Governors and the senior management team as listed on page 1. The Governors were not remunerated for their role as Governors. The total value of employee benefits (including employer pension and national insurance contributions) received by key management personnel for their services to the Academy was £901,794 (2018 - £893,011).

9 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 from the Academy in respect of their role as Governors. The value of Governors' remuneration and other benefits for the period in which they served as a Governor was as follows:

	2019 £'000	2018 £'000
Matthew Williams – Principal		
. Remuneration	125-130	120-125
. Employer's pension contributions	20-25	15-20
Tim Gilchrist – Staff Governor		
. Remuneration	55-60	50-55
. Employer's pension contributions	0-5	0-5

No expenses were reimbursed to Governors during the year ended 31 August 2019 (2018 - £nil).

Other related party transactions involving the Governors are set out in note 20.

10 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 £10,000,000 on any one claim and the cost for the year ended 31 August 2019 was not separately disclosed in the Academy's insurance policy.

11 Intangible fixed assets

	Computer software £000	Total £'000
Cost		
At 1 September 2018 and at 31 August 2019	31	31
Amortisation		
At 1 September 2018	5	5
Charge in year	10	10
At 31 August 2019	15	15
Carrying value		
At 31 August 2019	16	16
At 31 August 2018	26	26

12 Tangible fixed assets

	Leasehold buildings £000	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Total funds £000
Cost						
At 1 September 2018	39,779	56	872	1,651	28	42,386
Additions	16	—	7	47	—	70
Transfers	56	(56)	—	—	—	—
At 31 August 2019	39,851	—	879	1,698	28	42,456
Depreciation						
At 1 September 2018	6,511	—	810	1,650	28	8,999
Charge in year	830	—	20	—	—	850
At 31 August 2019	7,341	—	830	1,650	28	9,849
Net book value						
At 31 August 2019	32,510	—	49	48	—	32,607
At 31 August 2018	33,268	56	62	1	—	33,387

Notes to the financial statements Year to 31 August 2019

13 Debtors

	2019 £000	2018 £000
Trade debtors	16	58
VAT recoverable	45	41
Prepayments and accrued income	275	251
	<u>336</u>	<u>350</u>

14 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	172	211
Taxation and social security	136	134
Other creditors	84	72
Accruals and deferred income	107	147
	<u>499</u>	<u>564</u>

Deferred income (included above)

Deferred income at 1 September 2018	107	49
Released during the year	(107)	(49)
Resources deferred in the year	1	107
Deferred income at 31 August 2019	<u>1</u>	<u>107</u>

15 Funds

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2019 £000
Restricted general funds					
. General Annual Grant (GAG)	632	7,147	(7,115)	(73)	591
. Pupil premium	—	404	(404)	—	—
. Other grants	—	400	(400)	—	—
. Pension reserve	(1,780)	—	(369)	(729)	(2,878)
	<u>(1,148)</u>	<u>7,951</u>	<u>(8,288)</u>	<u>(802)</u>	<u>(2,287)</u>
Restricted fixed assets fund					
. DfE/ESFA capital grants	27,718	80	(860)	73	27,011
. Capital grants from Local Authority	3,649	—	—	—	3,649
. Private sector capital sponsorship	1,973	—	—	—	1,973
	<u>33,340</u>	<u>80</u>	<u>(860)</u>	<u>73</u>	<u>32,633</u>
Unrestricted funds					
. General funds	387	176	(86)	—	477
Total unrestricted funds	<u>387</u>	<u>176</u>	<u>(86)</u>	<u>—</u>	<u>477</u>
Total funds	<u>32,579</u>	<u>8,207</u>	<u>(9,234)</u>	<u>(729)</u>	<u>30,823</u>

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

15 Funds (continued)

Restricted funds

General Annual Grant (GAG)

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 2019. Note 1 discloses whether the limit was exceeded.

Fixed asset fund

These grants relate to funding received from the DfE, ESFA 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.

Pension reserve

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

Comparative information

Comparative information in respect of the preceding period is as follows:

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
Restricted ESFA general funds					
. General Annual Grant (GAG)	634	7,084	(7,086)	—	632
. Pupil premium	—	419	(419)	—	—
. Other grants	—	6	(6)	—	—
. Pension reserve	(2,398)	—	(399)	1,017	(1,780)
	<u>(1,764)</u>	<u>7,509</u>	<u>(7,910)</u>	<u>1,017</u>	<u>(1,148)</u>
Other restricted funds					
. Local authority grants	—	172	(172)	—	—
. Other restricted funds	—	125	(125)	—	—
	<u>—</u>	<u>297</u>	<u>(297)</u>	<u>—</u>	<u>—</u>
Total restricted general funds	<u>(1,764)</u>	<u>7,806</u>	<u>(8,207)</u>	<u>1,017</u>	<u>(1,148)</u>
Restricted fixed assets fund					
. DfE/ESFA capital grants	28,490	23	(833)	38	27,718
. Capital grants from Local Authority	3,649	—	—	—	3,649
. Private sector capital sponsorship	1,973	—	—	—	1,973
	<u>34,112</u>	<u>23</u>	<u>(833)</u>	<u>38</u>	<u>33,340</u>
Unrestricted funds					
. General funds	296	438	(309)	(38)	387
Total unrestricted funds	<u>296</u>	<u>438</u>	<u>(309)</u>	<u>(38)</u>	<u>387</u>
Total funds	<u>32,644</u>	<u>8,267</u>	<u>(9,349)</u>	<u>1,017</u>	<u>32,579</u>

16 Analysis of net assets between funds

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset fund £000	Total 2019 £000
Fund balances at 31 August 2019 are represented by:				
Intangible fixed assets	—	—	16	16
Tangible fixed assets	—	—	32,607	32,607
Current assets	477	1,090	10	1,577
Current liabilities	—	(499)	—	(499)
Pension scheme liability	—	(2,878)	—	(2,878)
Total net assets	477	(2,287)	32,633	30,823

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset fund £000	Total 2018 £000
<i>Fund balances at 31 August 2018 are represented by:</i>				
<i>Intangible fixed assets</i>	—	—	26	26
<i>Tangible fixed assets</i>	—	73	33,314	33,387
<i>Current assets</i>	425	1,085	—	1,510
<i>Current liabilities</i>	—	(564)	—	(564)
<i>Pension scheme liability</i>	—	(1,780)	—	(1,780)
Total net assets	425	(1,186)	33,340	32,579

17 Commitments under operating leases

Operating leases

At 31 August 2019, the total of the Academy's future minimum lease payments under operating leases for equipment was as follows:

	2019 £'000	2018 £'000
Amounts due within one year	97	65
Amounts due between two and five years inclusive	197	43
	294	108

18 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.

19 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 multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2016.

Contributions amounting to £51,171 were payable to the schemes at 31 August 2019 (2018 - £57,059) and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Academy has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The Academy has set out above the information available on the plan and the implications for the Academy in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion, giving a notional past service deficit of £22 billion.

19 Pension and similar obligations (continued)

Teachers' Pension Scheme

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The employer's pension costs paid to TPS in the period amounted to £452,344 (2018 - £479,557).

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 2019 was £218,933 (2018 - £244,654) of which employer's contributions totalled £159,607 (2018 - £175,330) and employees' contributions totalled £59,326 (2018 - £69,324). The agreed contribution rates for future years are 17% for employers and between 5.5% and 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of an Academy Trust 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 2019	At 31 August 2018
Rate of increase in salaries	3.7%	3.8%
Rate of increase for pensions in payment / inflation	2.2%	2.3%
Discount rate for scheme liabilities	1.9%	2.7%
Inflation assumption (CPI)	2.2%	2.3%
Commutation of pensions to lump sums	50.0%	50.0%

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

	At 31 August 2019 years	At 31 August 2018 years
<i>Retiring today</i>		
Males	23.4	24.5
Females	24.8	26.1
<i>Retiring in 20 years</i>		
Males	25.1	26.8
Females	26.7	28.5

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Sensitivity analysis

The below analysis shows the monetary increase to the defined benefit obligation for the following changes in assumptions:

	At 31 August 2019 £'000	At 31 August 2018 £'000
Discount rate +0.1%	(214)	(157)
Discount rate -0.1%	222	163
Mortality assumption – 1 year increase	214	143
Mortality assumption – 1 year decrease	(207)	(139)
CPI rate +0.1%	25	19
CPI rate -0.1%	(24)	(18)

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

	Fair value at 31 August 2019 £'000	Fair value at 31 August 2018 £'000
Equities	2,341	2,157
Property	114	102
Cash and other liquid assets	462	195
Other	267	233
Total market value of assets	3,184	2,687
Less: liabilities	(6,062)	(4,467)
Deficit in the scheme	(2,878)	(1,780)

	2019 £'000	2018 £'000
Amounts recognised in statement of financial activities		
Current service cost	399	513
Past service cost	97	—
Net interest cost	45	60
Admin expenses	1	1
Total amount recognised in the SOFA	542	574

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations were as follows:		
At 1 September 2018	4,467	4,752
Current service cost	399	513
Past service cost	97	—
Interest cost	121	123
Employee contributions	67	69
Actuarial loss (gain)	918	(877)
Benefits paid	(7)	(113)
At 31 August 2019	6,062	4,467

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the fair value of the Academy's share of scheme assets:	2019 £'000	2018 £'000
At 1 September 2018	2,687	2,354
Interest income	76	63
Actuarial gain	189	140
Employer contributions	173	175
Administration expenses	(1)	(1)
Employee contributions	67	69
Benefits paid	(7)	(113)
At 31 August 2019	3,184	2,687

20 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 2019, £151,972 (2018 - £158,742) was received from RBKC.

The Academy bought back a number of services from both sponsors during the year ended 31 August 2019 including music curriculum support, clerking, educational psychology and recruitment advertising. During the year ended 31 August 2019 payments to RBKC were £118,149 (2018 - £59,948), including business rates which due to their nature were at cost. Payments of £9,614 were made to LDBS during the year (2018 - £970). The Academy has complied with the requirements of the Academies Financial Handbook in connection with these transactions.

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 £79,501 (2018 - £76,125) of the Academy's expenditure. The entirety of this balance was owed to the Academy as at 31 August 2019 (2018 - £6,956).

Other than the above and the transactions disclosed in note 9, there were no further related party transactions in the year (2018 – none).

Notes to the financial statements Year to 31 August 2019

21 Capital commitments

The Academy had capital commitments of £40,000 at 31 August 2019 (2018 – £15,000).

22 Reconciliation of net movement in funds to operating surplus excluding movements in fixed assets and pension scheme adjustments

	2019 £'000	2018 £'000
Net movement in funds	(1,756)	(65)
Add back:		
. Depreciation	850	828
. Amortisation	10	5
. Pension finance costs	46	60
. Pension adjustment to staff costs	323	339
. Actuarial losses (gains) on pension scheme	780	(1,017)
Deduct:		
. Capital grant income	(80)	(23)
Operating surplus for the year before transfers	122	127
Transfers representing unrestricted funds utilised on fixed asset purchases	—	(38)
Operating surplus for the year	122	89

23 Agency agreements

The Academy Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ended 31 August 2019 the Academy received £25,449 (2018 - £23,065) and disbursed £16,439 (2018 - £22,142) from the fund. An amount of £9,010 (2018 - £923) is included in other creditors relating to undistributed funds.