

# **The King's Academy**

Annual Report and Financial Statements

31 August 2014

Company registration number  
(England and Wales)  
04418245

**The King's Academy**  
**Annual Report and Financial Statements**  
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**The King's Academy**  
**Reference and Administrative Details**

<b>Members</b>	The Emmanuel Schools Foundation
<b>Governors</b>	Jan Brunton Geoffrey Davies (resigned July 2014) Nicholas Dent Chris Drew ♦ (principal and accounting officer) Edward Gould (resigned July 2014) Donald Hutton (appointed August 2014) Martin Oldknow (appointed August 2014) Dr Mark Pike (appointed August 2014) Nigel Robson ♦ (chairman)  ♦ <i>member of the finance and audit committee</i>
<b>Local governing body</b>	David Broughton Jan Brunton Nicholas Dent (parent governor) Nigel Robson ♦ (chairman) Paul Scott Brenda Thompson Elizabeth Whiteway
<b>Senior management team</b>	John Rhodes (vice-principal) Henry Gowland (vice-principal) Rosie Alcock (assistant principal) Gary Wiecek (vice-principal)
<b>Registered office</b>	Trinity House, Bede Academy Sixth Avenue Blyth NE24 2SY
<b>School address</b>	Stainton Way Middlesbrough TS08 0GA
<b>Company number</b>	04418245
<b>Auditors</b>	Kinnair and Company Aston House, Redburn Road Newcastle upon Tyne NE5 1NB
<b>Bankers</b>	Barclays Bank plc 71 Grey Street Newcastle upon Tyne NE99 1JA

The governors present their annual report and financial statements for the year ended 31 August 2014.

### **Structure, governance and management**

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#### ***Constitution***

The King's Academy (the company, the charitable company, the academy, the school) is a company limited by guarantee (registered number 04418245) and an exempt charity. The company's memorandum and articles of association dated April 2002 are its primary governing documents.

The academy is part of The Emmanuel Schools Foundation (company number 4464331), a network of academies and one city technology college. The Emmanuel Schools Foundation (ESF) is controlled by United Learning Trust which appoints the trustees and Board members the ESF. United Learning Trust is a subsidiary of the United Church Schools Trust which operates a number of independent schools across England. The ultimate controlling organisation is the United Church Schools Foundation Limited.

In January 2012 it was announced that the Emmanuel Schools Foundation and United Learning Trust would separate. Work has taken place during the year establishing a new Board for ESF and new governors have been appointed and a revised governance structure is now taking place. The directors of the United Learning Trust have resigned from the ESF board. The ethos and character of the Emmanuel Schools Foundation schools within the North East of England has been maintained and the updated corporate structure and governance reflects the current needs. The governance structure will be extended and strengthened in the forthcoming academic year as new appointments to the board and local governing boards take place.

The governing body of the charitable company is the board of governors who act as the trustees for the charitable activities of the school and are also the directors of the charitable company for the purposes of company law.

The governors who acted during the year and up to the date of this report are shown in the reference and administrative details on page 1.

#### ***Members' Liability***

As a company limited by guarantee, the academy does not have share capital. Every member of the 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.

#### ***Governors' Indemnities***

The academy has purchased insurance to protect governors and officers from negligent acts, errors or omissions occurring whilst on academy business, as set out in note 12 to the financial statements.

#### ***Principal Activities***

The principal activity of The King's Academy is to provide education for pupils of different abilities between the ages of 11 and 19 in the area of South Middlesbrough, with a specialism of business and enterprise.

#### ***Method of Recruitment and Appointment or Election of Governors***

Five Directors were appointed by the board of The Emmanuel Schools Foundation, one was nominated by the Local Education Authority, and one was co-opted by the board. In accordance with the governing document, a parent member is also elected. Directors may serve for four years but are eligible for re-election at the meeting at which they retire.

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**Structure, governance and management (continued)**

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***Organisational Structure***

The governors are responsible for setting general policies, adopting the development plan and the annual budget, monitoring the school by the use of budgets and making major decisions about the direction of the school, capital expenditure and senior staff appointments. The management of the school is delegated to the Executive Principal and the schools leadership team which consists of three vice principals and an assistant principal and seven assistant vice principals. The senior management team controls the school at an executive level, ensuring policies agreed by the governors are followed correctly and reporting back to the board. This group are responsible for the authorisation of spending within agreed budget limits and for the appointment of staff. The role of the accounting officer is held by the principal.

***Risk Management***

The governors have ensured that the major risks to which the academy is exposed have been identified and that risk management strategies have been implemented.

The governors have developed systems to respond quickly to evolving risks arising from factors within the school and to changes in the external environment including procedures for reporting failings immediately to appropriate levels of management and the trustees, together with details of corrective action being undertaken. They have embedded the control system in the academy's operations so that it becomes part of the culture of the academy and communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.

***Connected Organisations including Related Party Relationships***

The school is part of The Emmanuel Schools Foundation (company number 4464331) network of academies and one city technical college. United Learning Trust appoints the chair to the board of The Emmanuel Schools Foundation and to the school board. United Learning Trust is a subsidiary of the United Church School Trust which operates a number of independent schools across England. The ultimate controlling organisation is the United Church Foundation Limited.

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**Objectives and Activities**

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***Objects and Aims***

The main objectives of the academy are summarised below:

- to raise the standard of education achievement of all pupils;
- to ensure that every child enjoys the same high quality of education in terms of resourcing, tuition and care;
- to improve the effectiveness of the academy by keeping the curriculum and structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce;
- to conduct our business in accordance with the highest standards of integrity, probity and openness.

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**Objectives and Activities (continued)**

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***Public Benefit***

The governors confirm that they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission and they are satisfied that the school's public benefit has been considered when planning its activities for the year and is clearly demonstrated in the achievements for the year which are set out in this report.

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**Achievements and Performance**

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***Achievements in the year***

The King's Academy is extremely popular and continues to receive significant oversubscription for student places. Many parents are seeking the best possible education for their young people and The King's Academy has become the secondary school choice in Middlesbrough. It is also a centre in the area for students with visual, hearing and physical impairment, and a very significant proportion of the total cohort have learning difficulties. During the course of the year the Academy joined the Discovery Alliance Trust which comprises a group of primary schools and The King's Academy. The central purpose of the Trust is to improve standards and achievement in the feeder primaries so that students are in a position to progress at pace in their secondary education. In sporting achievement and community involvement the academy continues to excel.

This year's external examination results reflected the change in rules set by the government. However, the academic performance of the students remained strong with 57% of students achieving 5A\*-C including English and Mathematics (Wolf rules) and 69% of students achieving 5A\*-C or equivalent (Wolf rules). The indicative Progress 8 figure for the school for 2013-14 was -0.01. All measures place the performance of the school significantly above the government's floor standards. 25% of students achieved the English Baccalaureate. The A Level pass rate was 98.5%, with 34% of entries achieving A or A\* grades, 66% achieving A\*-B and 86% of entries graded at C grade or better. The early release data from the DFE show that students in the sixth form made progress on academic courses that was significantly above average. Many students went on to the top universities in the country.

Students are actively encouraged to support projects at home and abroad with fundraising and practical help. The total amount raised during the academic year was £6,482. The three main charities supported by the academy are Butterwick Hospice, caring for terminally ill children and adults, in Stockton; Uhru Ministries, a boy's orphanage and school in Kenya and the Great North Air Ambulance with each charity receiving £2,100 each.

The academy promotes community involvement by opening up its facilities to individuals, groups and businesses in the surrounding area for sports and conferencing activities. In the future the academy has plans to further enhance this provision to ensure we are fully utilising the facilities entrusted to us whilst involving the wider community.

***Going Concern***

After making appropriate enquiries, the governing body has a reasonable expectation that the academy 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.

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**Achievements and Performance (continued)**

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***Key Financial Performance Indicators***

The governors approved the budget for the period 1 September 2013 – 31 August 2014 and forecasted a revenue surplus of £54,190, before depreciation charges. Staffing costs were budgeted at 84% of total income and actual costs were 82%. Premises expenditure was budgeted at 5% and final expenditure was 5%. Other supplies and services were budgeted at 11% and final expenditure was 11% of total income.

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**Financial Review**

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***Review of the Financial Position of the Academy***

Most of the academy's income is obtained from either the Department for Education (DfE) in the form of recurrent grants, or from Middlesbrough Local Education Authority (LEA), the use of which is restricted to particular purposes. The grants received during the year ended 31 August 2014 and the associated expenditure are shown as restricted funds in the statement of financial activities.

Expenditure for the year was mainly covered by grants from the DfE, LEA and other income. The revenue surplus for the year was £90,000 before transfers.

At 31 August 2014 the net book value of tangible fixed assets was £17,592,000 and movements in tangible fixed assets are shown in Note 13 to the accounts. The assets are used exclusively for providing education and associated support services to the pupils of the academy. The balance sheet restricted fixed asset fund is reduced by transfers of amounts equivalent to any depreciation charges over the expected useful life of the assets concerned to agree to the net book value.

The academy held fund balances at 31 August 2014 of £16,893,000 comprising £17,592,000 in the restricted fixed asset fund, a surplus of £442,000 for unrestricted income funds and a deficit of £1,141,000 for restricted income funds (which includes the pension deficit of £1,244,000).

The pension scheme liability relates to a non-cash provision for the academy's share of the Local Government Pension Scheme and under the funding agreement the academy must show this pension liability on the balance sheet. However should operations cease this pension liability would be funded by the Department for Education.

***Financial and Risk Management Objectives and Policies***

The school's financial objectives, policies and risk management are monitored by the central finance team of the company's immediate parent.

***Principal Risks and Uncertainties***

The principal risk areas for the academy are the protection of pupils, employees and assets; and systems and procedures to minimise these are constantly being reviewed and updated.

The charitable company has Safeguarding and Child Protection policies in place which focus on the need to ensure that its pupils are safe, feel safe and are fully supported in this respect by their school. These policies also provide a framework for the academy to develop secure processes for identifying and supporting pupils at risk of abuse. The implementation and effectiveness of these policies and procedures, which adhere to DfE guidelines on safeguarding and child protection, are regularly monitored and reviewed.

**Financial Review (continued)**

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***Investments Policy***

The governors have the power to invest monies of the charitable company, not immediately required for the furtherance of its objects, as they see fit.

**Plans for Future Periods**

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The academy is now entering into its twelfth year and continues to be held in high regard within the community and the school continues to be oversubscribed. The school is enjoying the new drama and music facilities which were successfully completed last year. As a result of this project additional space was created to enhance the provision of support and accommodation to the sixth form and as a direct result of this investment the Academy is enjoying its highest post 16 numbers since the academy first opened. Further development into 6th form courses and pupil retention will be reviewed next year. In addition the academy has installed a high ropes course which is a particularly meaningful facility for students with special educational needs. The academy will continue to develop its relationship in its feeder primaries.

**Disclosure of Information to Auditors**

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In so far as the governors are aware:

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

**Approval**

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This report was approved by the governing body on 12 December 2014 and signed on its behalf by.

Nigel Robson  
Governor

## The King's Academy Governance Statement

### Scope of Responsibility

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As governors, we acknowledge we have overall responsibility for ensuring that The King's 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 governing body has delegated the day-to-day responsibility to the principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The King's Academy and the Secretary of State for Education. He is also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

### Governance

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The information on governance included here supplements that described in the governors' report and in the statement of governors' responsibilities. The governing body has formally met 3 times during the year. Attendance at meetings of the governing body was as follows:

<b>Governor</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Jan Brunton	-	3
Geoffrey Davies	1	2
Nicholas Dent	-	3
Chris Drew	2	3
Edward Gould	1	2
Donald Hutton	1	1
Martin Oldknow	1	1
Dr Mark Pike	1	1
Nigel Robson	2	3
Canon Rev Stephen Taylor	1	2

The local governing body met three times during the year. Attendance was as follows:

<b>Local governor</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
David Broughton	3	3
Jan Brunton	2	3
Nicholas Dent	2	3
Chris Drew	3	3
Nigel Robson	2	3
Paul Scott	3	3
Brenda Thompson	2	3
Elizabeth Whiteway	3	3

### The Purpose of the System of Internal Control

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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 the risks to the achievement of the academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for The King's Academy for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

## **The King's Academy Governance Statement**

### **Capacity to Handle Risk**

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The governing body 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 governing body is of the view that there is a formal on-going process for identifying, evaluating and managing the academy's significant risks that has been in place for the year to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body.

### **The Risk and Control Framework**

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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 annual budget and periodic financial reports which are reviewed and agreed by the governing body;
- regular reviews of reports which indicate financial performance against forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the governors have appointed Kinnair and Company, the external auditor, to perform additional checks.

The external auditors' role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On a quarterly basis the auditors report to the accounting officer on the operation of the systems of control and provide information to assist the governing body discharge their financial responsibilities.

The governors confirm that the external auditors have delivered their schedule of work as planned. The work performed revealed no material control weaknesses.

### **Review of Effectiveness**

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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 external auditor;
- the financial management and governance self-assessment process;
- 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 been advised of the implications of the result of their review of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**The King's Academy  
Governance Statement**

**Approval**

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This report was approved by the governing body on 12 December 2014 and signed by its order.

Nigel Robson  
Governor

Chris Drew  
Accounting officer

**The King's Academy**  
**Statement on Regularity, Propriety and Compliance**

As accounting officer of The King's Academy I have considered my responsibility to notify the academy governing body 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's governing body are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety of 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 the EFA.

Chris Drew  
Accounting officer

12 December 2014

## **The King's Academy**

### **Statement of Governors' Responsibilities**

The governors (who act as trustees for the charitable activities of The King's Academy and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The governors are responsible for keeping adequate 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.

Approved by order of the members of the governing body on 12 December 2014 and signed on its behalf by:

Nigel Robson  
Chairman

**The King's Academy  
Independent auditors' report  
to the governors of The King's Academy**

We have audited the accounts of The King's Academy for the year ended 31 August 2014 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 to 2014 issued by the Education Funding Agency (EFA).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company its members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Governors' Responsibilities (set out on page 11), the governors (who are also the directors of the charitable company 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.

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 Ethical Standards for Auditors.

**Scope of the audit of the accounts**

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 trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.

**Opinion on the accounts**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its deficit 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 Academies Accounts Direction 2013 to 2104 issued by the EFA; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' Report for the financial year for which the accounts are prepared is consistent with the financial statements.

**The King's Academy  
Independent auditors' report  
to the governors of The King's Academy (continued)**

**Matters on which we are required to report by exception**

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

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

Mai Mak BSc FCA  
Senior Statutory Auditor

for and on behalf of  
Kinnair and Company  
Accountants and Statutory Auditors

Aston House  
Redburn Road  
Newcastle upon Tyne  
NE5 1NB

18 December 2014

## **The King's Academy**

### **Independent reporting auditors' assurance report on regularity to The King's Academy and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 30 September 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The King's Academy during the period 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The King's 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 King's 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 King's Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of The King's Academy accounting officer and the reporting auditor**

The accounting officer is responsible, under the requirements of The King's Academy funding agreement with the Secretary of State for Education dated May 2002 and the Academies Financial Handbook, extant from 1 September 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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 our conclusion includes:

- Documentation, evaluation and testing of internal controls;
- Establishing the intended purpose of grant funding;
- Performing substantive tests on relevant expenditure;

**The King's Academy**

**Independent reporting auditors' assurance report on regularity to The King's Academy School and the Education Funding Agency (continued)**

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

Mai Mak BSc FCA  
Senior Statutory Auditor  
for and on behalf of Kinnair and Company  
Statutory Auditors, Newcastle upon Tyne

18 December 2014

## The King's Academy

### Statement of Financial Activities for the year ended 31 August 2014 (incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Notes	Unrestricted funds £000	Restricted income funds £000	Restricted fixed asset funds £000	2014 Total £000	2013 Total £000
<b>Incoming resources</b>						
Incoming resources from generated funds:						
- Voluntary income		-	-	-	-	-
- Activities for generating funds	3	230	-	-	230	217
- Investment income	4	5	-	-	5	10
Incoming resources from charitable activities:						
- Funding for the academy's educational operations	5	-	8,611	30	8,641	8,768
<b>Total incoming resources</b>		<b>235</b>	<b>8,611</b>	<b>30</b>	<b>8,876</b>	<b>8,995</b>
<b>Resourced expended</b>						
Charitable activities:						
- Academy's educational operations	7	172	8,559	663	9,394	9,406
Governance costs	8	-	25	2	27	38
<b>Total resources expended</b>		<b>172</b>	<b>8,584</b>	<b>665</b>	<b>9,421</b>	<b>9,444</b>
<b>Net incoming resources before transfers</b>		<b>63</b>	<b>27</b>	<b>(635)</b>	<b>(545)</b>	<b>(449)</b>
Gross transfers between funds	9	-	(234)	234	-	-
<b>Net incoming resources before other recognised gains and losses</b>		<b>63</b>	<b>(207)</b>	<b>(401)</b>	<b>(545)</b>	<b>(449)</b>
<b>Other recognised gains or losses</b>						
Actuarial gains or losses on defined benefit pension schemes	23	-	15	-	15	372
<b>Net movement in funds</b>		<b>63</b>	<b>(192)</b>	<b>(401)</b>	<b>(530)</b>	<b>(77)</b>
Balances brought forward at September		379	(949)	17,993	17,423	17,500
<b>Funds carried forward at 31 August</b>		<b>442</b>	<b>(1,141)</b>	<b>17,592</b>	<b>16,893</b>	<b>17,423</b>

All of the academy's activities derive from continuing operations during the above two financial years.

**The King's Academy  
Balance Sheet  
as at 31 August 2014**

	<b>Notes</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Fixed assets</b>			
Tangible assets	13	17,592	17,993
<b>Current assets</b>			
Debtors	14	260	241
Cash at bank and in hand		827	1,003
		<u>1,087</u>	<u>1,244</u>
<b>Creditors: amounts falling due within one year</b>	15	(542)	(582)
<b>Net current assets</b>		<u>545</u>	<u>662</u>
<b>Net assets excluding pension liability</b>		<u>18,137</u>	<u>18,655</u>
Defined benefit pension scheme liability	23	(1,244)	(1,232)
<b>Net assets including pension liability</b>		<u>16,893</u>	<u>17,423</u>
<b>The funds of the academy</b>			
Restricted funds:			
- Fixed asset fund	16	17,592	17,993
- Other DfE/EFA grants fund	16	13	-
- General reserve	16	90	283
- Pension reserve	16	(1,244)	(1,232)
		<u>16,451</u>	<u>17,044</u>
Unrestricted funds:			
- General reserve	16	442	379
		<u>442</u>	<u>379</u>
<b>Total funds</b>		<u>16,893</u>	<u>17,423</u>

The financial statements on pages 16 to 36 were approved by the governors and authorised for issue on 12 December 2014 and signed on their behalf by:

Nigel Robson  
Governor

**The King's Academy  
Cash Flow Statement  
for the year ended 31 August 2014**

	<b>Notes</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Net cash inflow from operating activities</b>	18	78	248
Returns on investments and servicing of finance	19	5	10
Capital expenditure	19	(259)	(740)
<b>Decrease in cash in the year</b>		<u>(176)</u>	<u>(482)</u>
 <b>Reconciliation of net cash flow to movement in net funds</b>			
<b>Decrease in cash in the year</b>		(176)	(482)
<b>Change in net debt</b>	20	<u>(176)</u>	<u>(482)</u>
Net funds at 1 September		1,003	1,485
<b>Net funds at 31 August</b>		<u>827</u>	<u>1,003</u>

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**1 Statement of Accounting Policies**

***Basis of Preparation***

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the recommendations of Statement of Recommended Practice: Accounting and Reporting by Charities issued by the Charity Commission (SORP 2005), the Academies Accounts Direction issued by the Education Funding Agency (EFA), and the Companies Act 2006. The current accounting period covers 12 months to 31 August 2014. The corresponding amounts are for the 12 month period to 31 August 2013.

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance within restricted funds. Capital grants are recognised when they are receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are carried forward within the restricted fixed asset fund.

Donations and sponsorship income are included in the statement of financial activities on a cash received basis or on an accruals basis where they are assured with reasonable certainty and receivable by the balance sheet date.

Other income is recognised in the period that the service or supply is completed or provided.

The value of donated services and gifts in kind provided to the academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy's policies.

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**1 Statement of Accounting Policies (continued)**

***Resources Expended***

Expenditure is charged on an accruals basis inclusive of irrecoverable VAT. Where costs cannot be directly attributable to particular headings they have been allocated on a basis consistent with the use of resources or on the basis of staff headcount.

Costs of generating funds are those costs incurred in trading activities that raise funds.

The cost of charitable activities are those costs incurred on the academy's educational operations.

Governance costs includes expenditure on the academy's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses.

***Tangible Fixed Assets***

All fixed assets are initially recorded at cost and depreciated over their useful economic life. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, the related grants are credited to a specific restricted fixed asset fund which is reduced over time on a basis consistent with the depreciation policy. The de minimis level for the capitalisation of assets is £500.

All assets are reviewed on an on-going basis to ensure that the net book value of fixed assets is reasonable and gives a true representation of the value in use.

All assets under construction are capitalised within the balance sheet and depreciated when these are considered fit for purpose.

Freehold land and buildings	over 50 years
Fixtures and fittings	over 5 years
Computer equipment	over 5 years
Motor vehicles	over 5 years

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.

***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, it 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.

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**1 Statement of Accounting Policies (continued)**

***Pensions***

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 which are contracted out of the State Earnings-Related Pension Scheme (SERPS), and the assets are held separately from those of the academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. 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 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 costs and gains and losses on settlements and curtailments. They are included as part of 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 the other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses. Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

***Fund accounting***

The academy operates restricted and unrestricted funds. Restricted funds relate to amounts received which have been specified for a particular use by the donor. All other funds are unrestricted funds which the charitable company may use for its charitable purposes at its discretion. Within unrestricted funds, the academy may designate certain funds for specific purposes.

**2 General Annual Grant (GAG)**

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

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

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**3 Activities for Generating Funds**

	<b>Unrestricted funds £000</b>	<b>Restricted funds £000</b>	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Facilities hire	37	-	37	38
Catering income	193	-	193	179
	<u>230</u>	<u>-</u>	<u>230</u>	<u>217</u>

**4 Investment Income**

	<b>Unrestricted funds £000</b>	<b>Restricted funds £000</b>	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Interest on cash deposits	5	-	5	10
	<u>5</u>	<u>-</u>	<u>5</u>	<u>10</u>

**5 Funding for the Academy's Educational Operations**

	<b>Unrestricted funds £000</b>	<b>Restricted funds £000</b>	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
<b>DfE / EFA grants</b>				
General annual grant GAG	-	8,037	8,037	8,168
Capital grants	-	25	25	-
Other DfE / EFA grants	-	445	445	300
	<u>-</u>	<u>8,507</u>	<u>8,507</u>	<u>8,468</u>
<b>Other government grants</b>				
Local authority revenue grants	-	88	88	237
Local authority capital grants	-	-	-	4
	<u>-</u>	<u>88</u>	<u>88</u>	<u>241</u>
<b>Other income</b>				
Government sources (non-grant)	-	1	1	-
Non-government sources - revenue	-	40	40	59
Non-government sources - capital	-	5	5	-
	<u>-</u>	<u>46</u>	<u>46</u>	<u>59</u>
	<u>-</u>	<u>8,641</u>	<u>8,641</u>	<u>8,768</u>

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**6 Resources expended**

	<b>Staff costs £000</b>	<b>Non-pay expenditure Premises £000</b>	<b>Other costs £000</b>	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Costs of the academy's educational operations:					
- Direct costs	6,573	582	451	7,606	7,597
- Allocated support costs	727	471	590	1,788	1,809
	<u>7,300</u>	<u>1,053</u>	<u>1,041</u>	<u>9,394</u>	<u>9,406</u>
Governance costs including allocated support costs	-	-	27	27	38
	<u>7,300</u>	<u>1,053</u>	<u>1,068</u>	<u>9,421</u>	<u>9,444</u>

**Incoming/outgoing resources for the year include:**

	<b>2014 £000</b>	<b>2013 £000</b>
Depreciation of owned fixed assets	653	615
Loss/(profit) on disposal of fixed assets	<u>12</u>	<u>6</u>

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**7 Costs of the academy's educational operations**

	<b>Unrestricted funds £000</b>	<b>Restricted funds £000</b>	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
<b>Direct costs</b>				
Teaching and educational support staff	-	6,573	6,573	6,580
Depreciation	-	582	582	543
Technology costs	-	20	20	20
Educational supplies	-	196	196	198
Examination fees	-	95	95	106
Staff development	-	19	19	15
Educational consultancy	-	6	6	6
Other direct costs	-	115	115	129
	<hr/>	<hr/>	<hr/>	<hr/>
	-	7,606	7,606	7,597
<b>Allocated support costs</b>				
Support staff costs	90	637	727	719
Depreciation	-	81	81	75
Technology costs	-	81	81	81
Recruitment and support	-	19	19	41
Maintenance of premises and equipment	-	107	107	104
Cleaning	-	16	16	15
Rent and rates	-	58	58	57
Energy costs	-	209	209	198
Insurance	-	49	49	50
Transport	-	1	1	1
Catering	82	68	150	170
Other occupancy costs	-	16	16	25
Bank interest and charges	-	5	5	4
Other support costs	-	269	269	269
	<hr/>	<hr/>	<hr/>	<hr/>
	172	1,616	1,788	1,809
	<hr/>	<hr/>	<hr/>	<hr/>
Total costs of educational operations	172	9,222	9,394	9,406

**8 Governance costs**

	<b>Unrestricted funds £000</b>	<b>Restricted funds £000</b>	<b>Total 2014 £000</b>	<b>Total 2013 £000</b>
Legal and professional fees	-	14	14	20
Auditors remuneration:				
- Audit of financial statements	-	7	7	7
- Other services	-	4	4	8
Depreciation	-	2	2	3
	<hr/>	<hr/>	<hr/>	<hr/>
	-	27	27	38

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**9 Transfers between funds**

The gross transfer to the restricted fixed asset fund from unrestricted funds represents capital expenditure of £259,000 financed from general funds, less the amount spent out of the Devolved Formula Capital Grant on capital repairs.

<b>10 Staff costs</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	5,931	5,854
Social security costs	444	436
Pension costs	760	862
Other staff costs	1	1
	<hr/>	<hr/>
	7,136	7,153
Supply teacher costs	34	146
Staff restructuring costs	130	-
	<hr/>	<hr/>
	7,300	7,299

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £129,538. This included 6 payments of more than £5,000, being £37,004, £30,000, £13,688, £13,920, £12,169 and £7,888.

<b>Average number of employees during the year:</b>	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Teaching	108	113
Educational support	57	81
Administration	52	20
	<hr/>	<hr/>
	217	214
<b>Number of staff whose emoluments fell with the following bands:</b>	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
£60,000 to £70,000	2	3
£100,001 to £110,000	-	1
£130,001 to £140,000	1	-
	<hr/>	<hr/>

All of the above staff participated in the teachers' pension scheme. During the year ended 31 August 2014 employers contributions for these staff amounted to £34,507 (2013 - £44,659).

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**11 Related party transactions - governors remuneration, expenses and indemnities**

The principal and other 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 payments, other than expenses, from the academy in respect of their role as governors. The value of governors' remuneration was as follows:

C Drew £130,000 to £135,000 ♦

♦ Salary equates to £110,000 as principal and £20,416 as executive principal of The Emmanuel Schools Foundation.

Travelling, subsistence or other expenses totalling £2,308 (2013 - £2,039) were reimbursed to governors during the year.

**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 £1m on any one claim and the cost for the current year was £1,468 (2013 - £1,468). The cost of this insurance is included in the total insurance cost.

**13 Tangible fixed assets**

	<b>Freehold land and buildings £000</b>	<b>Furniture and equipment £000</b>	<b>Computer equipment £000</b>	<b>Motor vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 September	21,455	2,061	677	69	24,262
Additions	28	59	169	8	264
Disposals	-	(35)	(111)	-	(146)
At 31 August 2014	<u>21,483</u>	<u>2,085</u>	<u>735</u>	<u>77</u>	<u>24,380</u>
<b>Depreciation</b>					
At 1 September	3,973	1,836	421	39	6,269
Charge for the year	430	82	127	14	653
On disposals	-	(34)	(100)	-	(134)
At 31 August 2014	<u>4,403</u>	<u>1,884</u>	<u>448</u>	<u>53</u>	<u>6,788</u>
<b>Net book value</b>					
At 31 August 2014	<u>17,080</u>	<u>201</u>	<u>287</u>	<u>24</u>	<u>17,592</u>
At 31 August 2013	<u>17,482</u>	<u>225</u>	<u>256</u>	<u>30</u>	<u>17,993</u>

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

<b>14 Debtors</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	8	5
VAT recoverable	45	32
Prepayments and accrued income	207	204
	<u>260</u>	<u>241</u>

<b>15 Creditors: amounts falling due within one year</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	262	225
Taxation and social security costs	126	132
Other creditors	102	97
Accruals and deferred income	52	128
	<u>542</u>	<u>582</u>

**Deferred income included above:**

Deferred income at 1 September 2013	47	86
Resources deferred in the year	18	47
Amounts released from previous years	(47)	(86)
	<u>18</u>	<u>47</u>

Deferred income comprises grants received specifically for use in the next financial period.

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**16 Funds**

	At 1 Sep 2013 £000	Incoming resources £000	Resources expended £000	Gains, losses & transfers £000	At 31 Aug 2014 £000
<b>Restricted general funds</b>					
General annual grant (GAG)	-	8,037	(7,971)	(66)	-
Other DfE/EFA grants	-	445	(457)	25	13
Other government grants	-	88	(88)	-	-
Restricted general reserve	283	41	(41)	(193)	90
Pension reserve	(1,232)	-	(27)	15	(1,244)
	(949)	8,611	(8,584)	(219)	(1,141)
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	14,475	25	(545)	(25)	13,930
Capital expenditure from GAG	934	-	(30)	66	970
Private sector sponsorship	1,369	5	(52)	-	1,322
Transfers from general funds	1,215	-	(38)	193	1,370
	17,993	30	(665)	234	17,592
<b>Total restricted funds</b>	17,044	8,641	(9,249)	15	16,451
<b>Unrestricted income funds</b>					
Unrestricted general reserve	379	235	(172)	-	442
<b>Total unrestricted funds</b>	379	235	(172)	-	442
<b>Total funds</b>	17,423	8,876	(9,421)	15	16,893

The General Annual Grant (GAG) fund must be used for the normal running costs of the academy. Under the funding agreement with the Secretary of State, the academy was subject to a limit on the amount of GAG it could carry forward at 31 August 2014. Note 2 discloses whether the limit was exceeded.

The other funds within restricted general funds are used for government and non-government revenues received for specific purposes except for the pension reserve which reflects the movements and closing deficit relating to the school's share of the local government pension scheme.

The restricted fixed assets funds represent capital grants, sponsorship and other funding received to finance the capital costs of the academy.

The academy is carrying a net deficit on restricted revenue funds of £1,141,000 - representing a deficit of £1,244,000 on the restricted pension reserve, a surplus of £13,000 on the Other DfE/EFA grants fund and a surplus of £90,000 on the restricted general reserve.

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**17 Analysis of net assets between funds**

	<b>Unrestricted funds £000</b>	<b>Restricted income funds £000</b>	<b>Restricted fixed asset funds £000</b>	<b>Total funds £000</b>
Fund balances are represented by:				
Tangible fixed assets	-	-	17,592	17,592
Current assets	442	645	-	1,087
Current liabilities	-	(542)	-	(542)
Long term liabilities	-	-	-	-
Pension scheme liability	-	(1,244)	-	(1,244)
<b>Total net assets</b>	<u>442</u>	<u>(1,141)</u>	<u>17,592</u>	<u>16,893</u>

**18 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities**

	<b>2014 £000</b>	<b>2013 £000</b>
Net incoming resources	(545)	(449)
Depreciation charges and loss on disposal of assets	665	621
Capital grants from DfE and other capital income	(5)	(4)
Interest receivable	(5)	(10)
Actuarial gain/(loss) on pension scheme	15	372
(Increase)/decrease in debtors	(19)	25
Decrease in creditors	(28)	(307)
<b>Net cash inflow from operating activities</b>	<u>78</u>	<u>248</u>

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

<b>19 Gross cash flows</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	5	10
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(264)	(746)
Receipts from sales of tangible fixed assets	-	2
Capital grants from DfE/EFA	5	4
	<hr/>	<hr/>
	<b>(259)</b>	<b>(740)</b>

<b>20 Analysis of changes in net funds</b>	<b>At 1 Sep</b>	<b>Cash</b>	<b>Non-cash</b>	<b>At 31 Aug</b>
	<b>2013</b>	<b>flows</b>	<b>changes</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	1,003	(176)	-	827
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>1,003</b>	<b>(176)</b>	<b>-</b>	<b>827</b>

**21 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 King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**22 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, transactions may take place with organisations in which a governor has an interest. All transactions involving such organisations are conducted at arms length and in accordance with the academy's financial regulations and normal procurements procedures. No such transactions took place in the year.

**23 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 Middlesbrough Council. 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 £102,000 (2013 £97,000) were payable to the schemes at 31 August 2014 and are included within creditors.

***Teachers' Pension Scheme***

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

**The King's Academy**  
**Notes to the Financial Statements**  
**for the year ended 31 August 2014**

**23 Pension and similar obligations (continued)**

***Teachers' Pension Scheme (continued)***

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was 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 cost of 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 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 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 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.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

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

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

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

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

**The King's Academy**  
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**23 Pension and similar obligations (continued)**

***Teachers' Pension Scheme (continued)***

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

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

***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 2014 was £221,725 (2013 - £220,000), of which employer's contributions totalled £155,720 and employees' contributions totalled £660,05. The agreed contribution rates for future years are 14.6% for employers and 5.5% to 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that, in any event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. This guarantee came into force on 18 July 2013.

Principal actuarial assumptions:

	<b>At 31 Aug 2014</b>	<b>At 31 Aug 2013</b>
<i>Financial assumptions</i>		
Salary increases	3.6%	4.4%
Pension increases	2.1%	2.5%
Discount rate for scheme liabilities	3.7%	4.5%
Inflation increases (CPI)	2.1%	2.5%
Rate of revaluation of pension accounts	2.1%	n/a
Rate of increase to deferred pensions	2.1%	2.5%

*Life expectancy assumptions on retirement age 65*

Retiring today:	Males	22.9	19.2
	Females	25.4	23.2
Retiring in 20 years:	Males	25.1	21.1
	Females	27.7	25.1

**The King's Academy**  
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**23 Pension and similar obligations (continued)**

The academy's share of the assets and liabilities in the scheme and the expected rates of return at the year end were:

	Expected returns		Fair values	
	2014 %	2013 %	2014 £ 000	2013 £ 000
Equities	7.5%	7.9%	3,282	2,987
Property	6.8%	7.4%	216	194
Gilts	2.9%	3.4%	76	205
Other bonds	3.3%	4.1%	176	84
Cash	1.1%	0.9%	156	220
Other	7.5%	7.9%	92	110
Total fair value of assets			<u>3,998</u>	<u>3,800</u>
Present value of scheme liabilities			(5,242)	(5,032)
Net pension asset/(liability)			<u>(1,244)</u>	<u>(1,232)</u>

The school employs a building block approach in determining the rate of return for fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed date of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset over the actual asset allocation for the fund at 31 August 2014.

The actual return on scheme assets was £32,000 (2013 - £428,000).

**Amounts recognised in the statement of financial activities:**

	2014 £ 000	2013 £ 000
Current service cost	222	285
Past service cost	33	-
Total operating charge	<u>255</u>	<u>285</u>

**The King's Academy**  
**Notes to the Financial Statements**  
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**23 Pension and similar obligations (continued)**

**Analysis of pension finance return / (charge):**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Expected return on employers share of scheme assets	273	174
Interest on pension liabilities	(232)	(187)
	<hr/>	<hr/>
Pension finance return / (charge)	<u>41</u>	<u>(13)</u>

**Actuarial gain or loss recognised in the statement of financial activities:**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Actuarial (loss)/gain for the year	<hr/> <u>15</u>	<hr/> <u>372</u>

The cumulative amount of actuarial losses recognised since the adoption of FRS 17 is £641,000 (2013 - £656,000)

**Movements in the present value of defined benefit obligations:**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Opening defined benefit obligation	5,032	4,645
Service cost	222	285
Interest cost	232	187
Actuarial loss/(gain)	(256)	(118)
Employee contributions	65	67
Benefits paid	(86)	(34)
Past service cost / (gain)	33	-
	<hr/>	<hr/>
Closing defined benefit obligation	<u>5,242</u>	<u>5,032</u>

**The King's Academy**  
**Notes to the Financial Statements**  
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**23 Pension and similar obligations (continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Opening fair value of scheme assets	3,800	3,184
Expected return on scheme assets	273	174
Actuarial (loss)/gain	(241)	254
Employer contributions	187	155
Employee contributions	65	67
Benefits paid	(86)	(34)
	<u>3,998</u>	<u>3,800</u>
Closing fair value of scheme assets	<u>3,998</u>	<u>3,800</u>

The estimated value of employer contributions for the year ended 31 August 2015 is £159,000.

**The five year history of experience adjustments is as follows:**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Present value of obligations	(5,242)	(5,032)	(4,645)	(3,369)	(3,303)
Fair value of scheme assets	3,998	3,800	3,184	2,721	2,575
	<u>(1,244)</u>	<u>(1,232)</u>	<u>(1,461)</u>	<u>(648)</u>	<u>(728)</u>
Adjustments on share of assets	<u>(241)</u>	<u>254</u>	<u>96</u>	<u>-</u>	<u>73</u>
Adjustments on liabilities	<u>769</u>	<u>(3)</u>	<u>-</u>	<u>(234)</u>	<u>-</u>

**24 Ultimate controlling party**

The governors consider that the ultimate controlling party of the charitable company is United Church Schools Foundation Limited. The largest group of undertakings for which group accounts have been drawn up is that headed by United Schools Church Foundation