

The King's Academy

Annual Report and Financial Statements

31 August 2015

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

Members	The Emmanuel Schools Foundation
Governors	Jan Brunton Nicholas Dent Donald Hutton Martin Oldknow Dr Mark Pike Nigel Robson ♦ (chairman) ♦ <i>member of the finance and audit committee</i>
Principal and Accounting Officer	Chris Drew ♦ (principal and accounting officer) David Dawes (principal and accounting officer appointed 1/9/15)
Local governing body	David Broughton Jan Brunton Nicholas Dent (parent governor) Nigel Robson ♦ (chairman) Paul Scott Brenda Thompson Elizabeth Whiteway
Senior management team	John Rhodes (vice-principal) Henry Gowland (vice-principal) Rosie Alcock (assistant principal) Gary Wiecek (vice-principal)
Registered office	Trinity House, Bede Academy Sixth Avenue Blyth NE24 2SY
School address	Stainton Way Middlesbrough TS08 0GA
Company number	04418245
Auditors	Kinnair and Company Aston House, Redburn Road Newcastle upon Tyne NE5 1NB
Bankers	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 2015.

Structure, governance and management

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. A new Board for ESF is now in place and will be extended and strengthened with new appointments to the board and local governing boards as we move to achieve our objective of Multi Academy Trust status.

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 governors 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. Governors may serve for four years but are eligible for re-election at the meeting at which they retire.

Structure, governance and management (continued)

Policies and procedures Adopted for the Induction and Training of Governors

Training and induction is provided for all new governors depending on their existing experience. All new governors are given a tour of the academy and the chance to meet with staff and students. All governors are provided with copies of any governing documents that are relevant to their role.

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.

Related parties and other Connected Charities and Organisations

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.

Objectives and Activities

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.

Objectives and Activities (continued)

Objectives, Strategies and Activities

The school's objectives, strategies and activities are set to reflect the educational aims and the ethos of the school. The key objectives for the year included maintaining and enhancing the academic success and reputation of the school, promoting a two-way community involvement, and encouraging students to support a wide range of charitable projects.

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.

Disabled Persons

The policy of the academy is to support the teaching and employment of disabled persons both in recruitment and by retention of staff and students who become disabled during their time at the academy, as well as generally through training and career development. Lifts, ramps, automatic doors and disabled toilets are installed and door widths are suitable to enable wheelchair access to all the main areas of the academy. The academy places special emphasis on teaching young people who have visual, hearing, physical and learning difficulties.

Equal Opportunities

The governors recognise that equal opportunities should be an integral part of good practice within the workplace. The academy aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Achievements and Performance

Achievements in the year

The King's Academy remains extremely popular and continues to receive significant oversubscription each year for student places. Many parents seek the best possible education for their young people and The King's Academy has become the secondary school of choice in Middlesbrough. It is also a specialist centre in the area for students with visual, hearing and physical impairments, and learning disabilities, with a significant proportion of the students requiring in-class support. During the year, the academy has continued to work with and develop the Discovery Alliance (an Umbrella Trust Plus) which comprises a group of five primary schools and The King's Academy. The purpose of the alliance is to improve standards and achievement in the local primary schools, such 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 were lower than expected, due to a number of external and internal factors, including grade boundary adjustments by exam boards in both GCSE English and GCSE mathematics, and an as-yet-unexplained moderation adjustment to a set of GCSE English coursework. 41% of students achieved 5+ A*-C including English and mathematics, and 22% achieved EBacc. 56% of students made 'expected progress' in English and 50% of students made 'expected progress' in mathematics. In the Sixth Form, results were mixed, with some measures up and with other measures down on previous years. At A-Level, an average of 226 QCA points were scored per entry, 79% of students achieving grades A*-C and with 100% of students achieving grades A*-E. Many Sixth Form students have gone on to study for degrees at good quality universities.

Achievements and Performance (continued)

Achievements in the year (continued)

The 2015 results have prompted a full review. An Academy Improvement Board has been set up to oversee this exercise under the new Principal. The review is analysing leadership and management capacity at all levels, academic improvement, teaching and learning, behaviour and student development and governance oversight. Rapid changes are underway and there are good signs of improvement as reported by independent monitoring and evaluation.

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 £5,700. 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 £1,800 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.

Key Financial Performance Indicators

The governors approved the budget for the period 1 September 2014 – 31 August 2015 and forecasted a revenue surplus of £182,000 before depreciation charges, actual results shows a revenue surplus of £89,000. Staffing costs were budgeted at 80.62% of total income and actual costs were 82.13% of total income due to redundancy costs and supply cover; Premises expenditure was budgeted at 5.28% and final expenditure was 5.4%; Educational Supplier was budgeted at 4.46% with actuals being 4.75%; Other supplies and services were budgeted at 7.49% and final expenditure was 6.81% of total income.

Financial Review

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 2015 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 deficit for the year was £113,000 before transfers, this was after absorbing £170,000 of pension performance costs.

At 31 August 2015 the net book value of tangible fixed assets was £17,225,000, 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.

Financial Review (continued)

The academy held fund balances at 31 August 2015 of £16,264,000 comprising £17,225,000 in the restricted asset fund, a surplus of £280,000 for unrestricted income funds and a deficit of £1,241,000 for restricted income funds (which includes the pension deficit of £1,334,000).

Review of the Financial Position of the Academy (continued)

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.

A large proportion of the company's costs relate to staff costs which are relatively fixed each year. There is a risk that a significant drop in grant income may lead to an inability to cover such costs. Senior management and directors aim to keep abreast of proposed changes to funding streams and these are taken into account when preparing financial forecasts.

Reserves Policy

In order to alleviate the financial risks identified by the risk assessment and guarantee the continued activities of the school, the governing body will accumulate a minimum reserve of £200,000. The financial risk to the academy is balanced alongside the academy's vision to maintain the highest levels of educational provision for its beneficiaries. The governing body will therefore set a maximum limit for its reserve funds of £1,000,000. Reserves held in excess of the maximum limit will be reviewed by the governing body on a regular basis and an appropriate range of options will be considered. These might include releasing funds into the revenue budget in furtherance of the academy's objectives or re-investing the funds to generate extra income for the academy's activities. The reserves policy is reviewed annually taking into account new risks that have emerged. The current level of free reserves (total funds less the amount held in fixed asset restricted funds) is £373,000.

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

The academy is now entering into its thirteenth year and continues to be held in high regard in the local community and across the Tees Valley. The school is enjoying the new drama and music facilities which were successfully completed two years ago. As a result of this project, additional space was created to enhance the provision of support and accommodation in 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 analysis of sixth form courses and pupil retention will take place over the course of this year. In addition, the academy has installed a high ropes course which is a particularly beneficial facility for students with special educational needs. The academy will continue to develop its relationship with its main primaries.

Disclosure of Information to Auditors

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

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

Nigel Robson
Governor

The King's Academy Governance Statement

Scope of Responsibility

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

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 once during the year. Attendance at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
Jan Brunton	-	-
Nicholas Dent	-	-
Donald Hutton	1	1
Martin Oldknow	1	1
Dr Mark Pike	1	1
Nigel Robson	1	1

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

Local governor	Meetings attended	Out of a possible
David Broughton	2	3
Jan Brunton	2	3
Nicholas Dent	3	3
Chris Drew	3	3
Nigel Robson	3	3
Paul Scott	2	3
Brenda Thompson	1	2
Elizabeth Whiteway	3	3
Andrew Dunn	1	2
Kenneth Stone	2	2

Review of Value for Money

As accounting officer the principle has responsibility for ensuring that the academy trust 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 trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

The King's Academy Governance Statement

Review of Value for Money (continued)

Raising student attainment/improving examination results

The King's Academy continues to provide a good quality education to the students of south Middlesbrough.

In its most recent inspection (April 2013), Ofsted graded the school as "Good". This is the third grading of "Good" in ten years, demonstrating a high degree of consistency in the standard of high quality education we provide. There are currently only two secondary schools out of the seven in Middlesbrough that are graded as "Good" or better by Ofsted, alongside academic outcomes that are above government floor standards. The King's Academy is one of those two schools.

In relation to academic outcomes, the academy gained its second best figure to date of 5+ A*-C including English and mathematics in summer 2014, achieving 57%, but this dropped to 41% in summer 2015, despite our predictions to governors being that we would achieve 54%. This outcome of 41% was due to a number of external factors, including grade boundary adjustments by the examination boards in both English and mathematics, and by a downgrading of some English coursework with no explanation given. We are currently liaising with the examination boards as we seek to establish a greater level of detail as to what has happened and why. The 'EBacc' figure was 22%, which was slightly below but in line with the National Average of 24%.

In the Sixth Form, A-Level results were strong, although slightly down on the results of summer 2014. 76% of all grades were A*-C, with 100% of all grades being A*-E. Many students progressed from A-Level study to university, with more than 70% in 2015 attending Russell Group universities.

Attendance remains steady at 93% and student discipline and behaviour remains typically good or better.

Robust governance and oversight of the Academy's finances

Monitoring of the academy's internal controls is carried out by Kinnair & Company (the external auditors) and gives assurance that controls are in place and carried out in accordance to set policies and procedures.

Financial control is managed by a central resource and comprehensive budgeting and monitoring together with the production of timely management accounts are produced and reviewed by the accounting officer and members of the local governing boards. Joint tendering exercised is frequently carried out between the Emmanuel Schools Foundation schools to achieve economies of scale.

All major capital projects and financial costs associated with the academy's development plan are approved by the governors.

As a direct result of another year of budget cuts, the staffing structure and curriculum have been reviewed once again with staff being deployed as efficiently as possible, whilst ensuring that our student's education is not compromised.

Shared services are used across the foundation schools to ensure value for money is being achieved.

Targets are set to measure financial and other performances and are reviewed by the accounting officer and governors.

Clearly defined purchasing guidelines have been put in place with delegated lines of authority and segregation of duties.

Risks have been identified and managed and are updated on a regular basis.

Contracts are reviewed to ensure we receive value for money whilst ensuring quality and effectiveness. Procurement of IT is managed centrally to ensure the academy benefits from bulk purchasing of capital items and software supplies.

The governors and senior staff apply the principles of best value when making decisions about the allocation of resources to best promote the aims and values of the school, targeting resources to best improve standards and the quality of the provision and the use of resources to best support the various educational needs of all pupils.

The King's Academy Governance Statement

Review of Value for Money (continued)

Ensuring the academy demonstrates good value for money and effective use of resources

The academy benchmarks financial performance against other academies to demonstrate value for money and to learn where savings can be made.

Tender exercises are carried out regularly to ensure that high value purchases are competitive in the market place. All tenders are carried out in accordance with set policies and procedures.

Maximising income generation

The Emmanuel Schools Foundation centrally employs a business development manager that actively seeks to maximise income through the hire of the academy's facilities.

Reviewing controls and managing risks

Monthly management accounts are produced and reviewed by the Finance Director and the Principal and any significant variances that may have an impact on budgets are addressed and rectified.

Insurance levels are reviewed annually and used cost-effectively to manage risks.

The governors review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The governors have determined that an appropriate level of free reserves should be maintained. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance and to plan for future capital projects

The academy ensures that all surplus cash balances are invested in an interest bearing account to maximise interest earning potential.

Reviewing budget holders accounts

Budget holders receive regular budget reports which are scrutinised to ensure the most effective use of resources to meet the objectives of the academy. These reports are reviewed on a monthly basis and all transactions and up to date balances are available on the web portal to be viewed and monitored by budget holders and finance staff. Curriculum and any new strategies are identified in the academy development plan.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise 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 2015 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

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 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the governing body.

The King's Academy Governance Statement

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 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 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

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.

Approval

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

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Nigel Robson
Governor

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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

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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 and signed on its behalf by:

Nigel Robson
Chairman

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

We have audited the accounts of The King's Academy for the year ended 31 August 2015 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 2014 to 2015 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 13), 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 2015 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 2014 to 2015 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

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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 9 October 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, 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 2014 to 31 August 2015 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 2014 to 2015. 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 2014 to 31 August 2015 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 2014 to 2015 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 2014 to 31 August 2015 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

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The King's Academy

Statement of Financial Activities for the year ended 31 August 2015 (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	2015 Total £000	2014 Total £000
Incoming resources						
Incoming resources from generated funds:						
- Voluntary income		-	-	-	-	-
- Activities for generating funds	3	247	-	-	247	230
- Investment income	4	1	-	-	1	5
Incoming resources from charitable activities:						
- Funding for the academy's educational operations	5	-	8,537	24	8,561	8,641
Total incoming resources		248	8,537	24	8,809	8,876
Resourced expended						
Costs of generating funds:						
- Costs of generating voluntary income		-	-	-	-	-
- Fundraising trading		-	-	-	-	-
Charitable activities:						
- Academy's educational operations	7	216	8,658	618	9,492	9,394
Governance costs	8	-	24	2	26	27
Total resources expended		216	8,682	620	9,518	9,421
Net incoming resources before transfers		32	(145)	(596)	(709)	(545)
Gross transfers between funds	9	(194)	(35)	229	-	-
Net incoming resources before other recognised gains and losses		(162)	(180)	(367)	(709)	(545)
Other recognised gains or losses						
Actuarial gains or losses on defined benefit pension schemes	23	-	80	-	80	15
Net movement in funds		(162)	(100)	(367)	(629)	(530)
Balances brought forward at September		442	(1,141)	17,592	16,893	17,423
Funds carried forward at 31 August		280	(1,241)	17,225	16,264	16,893

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 2015**

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	13	17,225	17,592
Current assets			
Debtors	14	308	260
Cash at bank and in hand		661	827
		<u>969</u>	<u>1,087</u>
Creditors: amounts falling due within one year	15	(596)	(542)
Net current assets		<u>373</u>	<u>545</u>
Net assets excluding pension liability		<u>17,598</u>	<u>18,137</u>
Defined benefit pension scheme liability	23	(1,334)	(1,244)
Net assets including pension liability		<u>16,264</u>	<u>16,893</u>
The funds of the academy			
Restricted funds:			
- Fixed asset fund	16	17,225	17,592
- Other DfE/EFA grants fund	16	3	13
- General reserve	16	90	90
- Pension reserve	16	(1,334)	(1,244)
		<u>15,984</u>	<u>16,451</u>
Unrestricted funds:			
- General reserve	16	280	442
		<u>280</u>	<u>442</u>
Total funds		<u>16,264</u>	<u>16,893</u>

The financial statements on pages 18 to 36 were approved by the governors and authorised for issue on and signed on their behalf by:

Nigel Robson
Governor

**The King's Academy
Cash Flow Statement
for the year ended 31 August 2015**

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	18	86	78
Returns on investments and servicing of finance	19	1	5
Capital expenditure	19	(253)	(259)
Decrease in cash in the year		<u>(166)</u>	<u>(176)</u>
 Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(166)	(176)
Change in net debt	20	<u>(166)</u>	<u>(176)</u>
Net funds at 1 September		827	1,003
Net funds at 31 August		<u>661</u>	<u>827</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

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 2015. The corresponding amounts are for the 12 month period to 31 August 2014.

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 2015

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.

Long leasehold 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 part 11, chapter 3 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 2015

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 2015 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 2015.

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

3 Activities for Generating Funds

	Unrestricted funds £000	Restricted funds £000	Total 2015 £000	Total 2014 £000
Facilities hire	30	-	30	37
Intercompany	32	-	32	-
Catering income	185	-	185	193
	<u>247</u>	<u>-</u>	<u>247</u>	<u>230</u>

4 Investment Income

	Unrestricted funds £000	Restricted funds £000	Total 2015 £000	Total 2014 £000
Interest on cash deposits	1	-	1	5
	<u>1</u>	<u>-</u>	<u>1</u>	<u>5</u>

5 Funding for the Academy's Educational Operations

	Unrestricted funds £000	Restricted funds £000	Total 2015 £000	Total 2014 £000
DfE / EFA grants				
General annual grant GAG	-	7,421	7,421	8,037
Capital grants	-	24	24	25
Other DfE / EFA grants	-	456	456	445
	<u>-</u>	<u>7,901</u>	<u>7,901</u>	<u>8,507</u>
Other government grants				
Local authority revenue grants	-	612	612	88
Local authority capital grants	-	-	-	-
	<u>-</u>	<u>612</u>	<u>612</u>	<u>88</u>
Other income				
Government sources (non-grant)	-	-	-	1
Non-government sources - revenue	-	48	48	40
Non-government sources - capital	-	-	-	5
	<u>-</u>	<u>48</u>	<u>48</u>	<u>46</u>
	<u>-</u>	<u>8,561</u>	<u>8,561</u>	<u>8,641</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

6 Resources expended

	Staff costs £000	Non-pay expenditure		Total 2015 £000	Total 2014 £000
		Premises £000	Other costs £000		
Costs of the academy's educational operations:					
- Direct costs	6,582	542	439	7,563	7,606
- Allocated support costs	762	496	671	1,929	1,788
	<u>7,344</u>	<u>1,038</u>	<u>1,110</u>	<u>9,492</u>	<u>9,394</u>
Governance costs including allocated support costs	-	-	26	26	27
	<u>7,344</u>	<u>1,038</u>	<u>1,136</u>	<u>9,518</u>	<u>9,421</u>

Incoming/outgoing resources for the year include:

	2015 £000	2014 £000
Depreciation of owned fixed assets	614	653
Loss/(profit) on disposal of fixed assets	<u>6</u>	<u>12</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

7 Costs of the academy's educational operations

	Unrestricted funds £000	Restricted funds £000	Total 2015 £000	Total 2014 £000
Direct costs				
Teaching and educational support staff	32	6,550	6,582	6,573
Depreciation	-	542	542	582
Technology costs	-	11	11	20
Educational supplies	-	178	178	196
Examination fees	-	92	92	95
Staff development	-	38	38	19
Educational consultancy	-	2	2	6
Other direct costs	-	118	118	115
	<u>32</u>	<u>7,531</u>	<u>7,563</u>	<u>7,606</u>
Allocated support costs				
Support staff costs	83	679	762	727
Depreciation	-	76	76	81
Technology costs	-	69	69	81
Recruitment and support	-	59	59	19
Maintenance of premises and equipment	-	112	112	107
Cleaning	-	17	17	16
Rent and rates	-	79	79	58
Energy costs	-	212	212	209
Insurance	-	51	51	49
Transport	-	3	3	1
Catering	101	50	151	150
Other occupancy costs	-	14	14	16
Bank interest and charges	-	4	4	5
Other support costs	-	320	320	269
	<u>184</u>	<u>1,745</u>	<u>1,929</u>	<u>1,788</u>
Total costs of educational operations	<u>216</u>	<u>9,276</u>	<u>9,492</u>	<u>9,394</u>

8 Governance costs

	Unrestricted funds £000	Restricted funds £000	Total 2015 £000	Total 2014 £000
Legal and professional fees	-	17	17	14
Auditors remuneration:				
- Audit of financial statements	-	7	7	7
- Other services	-	-	-	4
Depreciation	-	2	2	2
	<u>-</u>	<u>26</u>	<u>26</u>	<u>27</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

9 Transfers between funds

The gross transfer to the restricted fixed asset fund from unrestricted funds represents capital expenditure of £253,000 financed from general funds, less the amount spent out of the Devolved Formula Capital Grant on capital repairs.

10 Staff costs	2015	2014
	£000	£000
Wages and salaries	5,757	5,931
Social security costs	422	444
Pension costs	918	760
Other staff costs	1	1
	<hr/>	<hr/>
	7,098	7,136
Supply teacher costs	226	34
Staff restructuring costs	20	130
	<hr/>	<hr/>
	7,344	7,300

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £19,516. This included 2 payments of more than £5,000, being £9,975 and £9,541.

Average number of employees during the year:	2015	2014
	Number	Number
Teaching	103	108
Educational support	61	57
Administration	41	52
	<hr/>	<hr/>
	205	217
Number of staff whose emoluments fell with the following bands:	2015	2014
	Number	Number
£60,000 to £70,000	-	2
£70,001 to £80,000	2	-
£130,001 to £140,000	1	1
	<hr/>	<hr/>

All of the above staff participated in the teachers' pension scheme. During the year ended 31 August 2015 employers contributions for these staff amounted to £39,668 (2014 - £34,507).

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

11 Related party transactions - governors' remuneration and expenses

The principal and other staff governors only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, 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 the principal's remuneration was as follows:

C Drew £130,000 to £140,000 ♦

♦ Salary equates to £113,385 as principal and £25,000 as executive principal of The Emmanuel Schools Foundation.

There are no staff governors.

Travelling, subsistence or other expenses totalling £581 (2014 - £2,308) 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 £1,000,000 on any one claim and the cost for the current year was £1,468 (2014 - £1,468). The cost of this insurance is included in the total insurance cost.

13 Tangible fixed assets

	Leasehold land and buildings £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 September	21,483	2,085	735	77	24,380
Additions	-	152	101	-	253
Disposals	-	-	(214)	-	(214)
At 31 August 2015	<u>21,483</u>	<u>2,237</u>	<u>622</u>	<u>77</u>	<u>24,419</u>
Depreciation					
At 1 September	4,403	1,884	448	53	6,788
Charge for the year	430	82	90	12	614
On disposals	-	-	(208)	-	(208)
At 31 August 2015	<u>4,833</u>	<u>1,966</u>	<u>330</u>	<u>65</u>	<u>7,194</u>
Net book value					
At 31 August 2015	<u>16,650</u>	<u>271</u>	<u>292</u>	<u>12</u>	<u>17,225</u>
At 31 August 2014	<u>17,080</u>	<u>201</u>	<u>287</u>	<u>24</u>	<u>17,592</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

14 Debtors	2015	2014
	£000	£000
Trade debtors	6	8
VAT recoverable	66	45
Prepayments and accrued income	236	207
	<u>308</u>	<u>260</u>

15 Creditors: amounts falling due within one year	2015	2014
	£000	£000
Trade creditors	278	262
Taxation and social security costs	125	126
Other creditors	101	102
Accruals and deferred income	92	52
	<u>596</u>	<u>542</u>

Deferred income included above:

Deferred income at 1 September 2014	18	47
Resources deferred in the year	14	18
Amounts released from previous years	(18)	(47)
	<u>14</u>	<u>18</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 2015

16 Funds

	At 1 Sep 2014 £000	Incoming resources £000	Resources expended £000	Gains, losses & transfers £000	At 31 Aug 2015 £000
Restricted general funds					
General annual grant (GAG)	-	7,421	(7,372)	(49)	-
Other DfE/EFA grants	13	454	(478)	14	3
Other government grants	-	612	(612)	-	-
Restricted general reserve	90	50	(50)	-	90
Pension reserve	(1,244)	-	(170)	80	(1,334)
	(1,141)	8,537	(8,682)	45	(1,241)
Restricted fixed asset funds					
DfE/EFA capital grants	13,930	24	(505)	25	13,474
Capital expenditure from GAG	970	-	(37)	392	1,325
Private sector sponsorship	1,322	-	(48)	-	1,274
Transfers from general funds	1,370	-	(30)	(188)	1,152
	17,592	24	(620)	229	17,225
Total restricted funds	16,451	8,561	(9,302)	274	15,984
Unrestricted income funds					
Unrestricted general reserve	442	248	(216)	(194)	280
Total unrestricted funds	442	248	(216)	(194)	280
Total funds	16,893	8,809	(9,518)	80	16,264

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 2015. 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 £1,241,000 - representing a deficit of £1,334,000 on the restricted pension reserve, a surplus of £3,000 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 2015

17 Analysis of net assets between funds

	Unrestricted funds £000	Restricted income funds £000	Restricted fixed asset funds £000	Total funds £000
Fund balances are represented by:				
Tangible fixed assets	-	-	17,225	17,225
Current assets	280	689	-	969
Current liabilities	-	(596)	-	(596)
Long term liabilities	-	-	-	-
Pension scheme liability	-	(1,334)	-	(1,334)
Total net assets	<u>280</u>	<u>(1,241)</u>	<u>17,225</u>	<u>16,264</u>

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

	2015 £000	2014 £000
Net incoming resources	(709)	(545)
Depreciation charges and loss on disposal of assets	620	665
Capital grants from DfE and other capital income	-	(5)
Interest receivable	(1)	(5)
Actuarial gain/(loss) on pension scheme	80	15
Increase in debtors	(48)	(19)
Increase/(decrease) in creditors	144	(28)
Net cash inflow from operating activities	<u>86</u>	<u>78</u>

19 Gross cash flows

	2015 £000	2014 £000
Returns on investments and servicing of finance		
Interest received	<u>1</u>	<u>5</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(253)	(264)
Receipts from sales of tangible fixed assets	-	-
Capital grants from DfE/EFA	-	5
	<u>(253)</u>	<u>(259)</u>

20 Analysis of changes in net funds

	At 1 Sep 2014 £000	Cash flows £000	Non-cash changes £000	At 31 Aug 2015 £000
Cash at bank and in hand	827	(166)	-	661
	<u>827</u>	<u>(166)</u>	<u>-</u>	<u>661</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

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.

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 2012 and of the LGPS 31 March 2013.

Contributions amounting to £101,000 (2014 - £102,000) were payable to the schemes at 31 August 2015 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 King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

23 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million.
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from April 2019.

The pension costs paid to TPS in the period amounted to £955,056 (2014: £955,425)

A copy of the valuation report and supporting documentation is on the Teachers' Pension website.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

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 2015 was £250,000, of which employer's contributions totalled £201,000 and employees' contributions totalled £49,000. The agreed contribution rates for future years are 13.4% 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.

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

Local Government Pension Scheme (continued)

Principal actuarial assumptions:

	At 31 Aug 2015	At 31 Aug 2014
<i>Financial assumptions</i>		
Rate of increase for salaries	3.5%	3.6%
Rate of increase for pensions/inflation	2.0%	2.1%
Discount rate for scheme liabilities	3.8%	3.7%
Inflation increases (CPI)	2.0%	2.1%
Rate of revaluation of pension accounts	2.0%	2.1%
Rate of increase to deferred pensions	2.0%	2.1%

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

Retiring today:	Males	23.0	22.9
	Females	25.5	25.4
Retiring in 20 years:	Males	25.2	25.1
	Females	27.8	27.7

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	
	2015	2014	2015	2014
	%	%	£ 000	£ 000
Equities	7.0%	7.5%	3,396	3,282
Property	6.2%	6.8%	256	216
Gilts	2.5%	2.9%	70	76
Other bonds	3.2%	3.3%	66	176
Cash	1.0%	1.1%	264	156
Other	7.0%	7.5%	74	92
Total fair value of assets			4,126	3,998
Present value of scheme liabilities			(5,460)	(5,242)
Net pension asset/(liability)			(1,334)	(1,244)

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 2015.

The actual return on scheme assets was £52,000 (2014 - £32,000).

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

Amounts recognised in the statement of financial activities:

	2015 £ 000	2014 £ 000
Current service cost	255	222
Past service cost	-	33
	<hr/>	<hr/>
Total operating charge	<u>255</u>	<u>255</u>

Analysis of pension finance return / (charge):

	2015 £ 000	2014 £ 000
Expected return on employer's share of scheme assets	279	273
Interest on pension liabilities	(199)	(232)
	<hr/>	<hr/>
Pension finance return / (charge)	<u>80</u>	<u>41</u>

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

	2015 £ 000	2014 £ 000
Actuarial (loss)/gain for the year	<hr/> <u>80</u>	<hr/> <u>15</u>

The cumulative amount of actuarial losses recognised since the adoption of FRS 17 is £721,000 (2014 - £641,000)

Movements in the present value of defined benefit obligations:

	2015 £ 000	2014 £ 000
Opening defined benefit obligation	5,242	5,032
Service cost	255	222
Interest cost	199	232
Actuarial loss/(gain)	(251)	(256)
Employee contributions	69	65
Benefits paid	(54)	(86)
Past service cost / (gain)	-	33
	<hr/>	<hr/>
Closing defined benefit obligation	<u>5,460</u>	<u>5,242</u>

The King's Academy
Notes to the Financial Statements
for the year ended 31 August 2015

23 Pension and similar obligations (continued)

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

	2015	2014
	£ 000	£ 000
Opening fair value of scheme assets	3,998	3,800
Expected return on scheme assets	279	273
Actuarial (loss)/gain	(331)	(241)
Employer contributions	165	187
Employee contributions	69	65
Benefits paid	(54)	(86)
	<u>4,126</u>	<u>3,998</u>

The estimated value of employer contributions for the year ended 31 August 2016 is £159,000.

The five year history of experience adjustments is as follows:

	2015	2014	2013	2012	2011
	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of obligations	(5,460)	(5,242)	(5,032)	(4,645)	(3,369)
Fair value of scheme assets	4,126	3,998	3,800	3,184	2,721
	<u>(1,334)</u>	<u>(1,244)</u>	<u>(1,232)</u>	<u>(1,461)</u>	<u>(648)</u>
Adjustments on share of assets	<u>-</u>	<u>(241)</u>	<u>254</u>	<u>96</u>	<u>-</u>
Adjustments on liabilities	<u>-</u>	<u>769</u>	<u>(3)</u>	<u>-</u>	<u>(234)</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