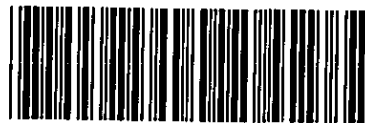


**CHADWELL HEATH ACADEMY**  
(A Company Limited by Guarantee)

**GOVERNORS' REPORT &  
FINANCIAL STATEMENTS**

for the  
**Year Ended 31 August 2012**

THURSDAY



\*R106VFNC\*

RM

20/12/2012

#184

COMPANIES HOUSE

Company Registration Number .  
7346826 (England and Wales)

The Registrar of Companies  
Companies House  
Crown Way  
Maindy  
Cardiff  
CF14 3UZ

# **CHADWELL HEATH ACADEMY**

## **FINANCIAL STATEMENTS**

**Year Ended 31 August 2012**

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# **CHADWELL HEATH ACADEMY**

**1**

## **FINANCIAL STATEMENTS Year Ended 31 August 2012**

### **REFERENCE & ADMINISTRATIVE DETAILS**

#### **Governors**

Mr J J Moynagh (Chairman)  
Mr P M Brewster \* (Chairman of Finance and Personnel)  
Mr N E Abbott \*  
Mrs A Bashir  
Mrs J N Chapman  
Mrs J M Clarke (Responsible Officer)  
Mr J N Crisp \*  
Mr E A Heath  
Mr J Johnson  
Rev E M Kibathi  
Mrs S Knight (Staff Governor)  
Mr P T Sedani  
Mr D V Shah  
Mr T R Stockill  
Mr G P Staight  
Mr D Thompson (Staff Governor)  
Mr K E Wilkinson \* (Headmaster & Accounting Officer)

\* Member of the Finance and Personnel Committee

#### **Senior Management Team**

Mr K E Wilkinson Headteacher  
Mr S Bull Deputy Headteacher  
Mr A Rumble Deputy Headteacher  
Mr M Weight Deputy Headteacher  
Mrs T Banks School Manager

#### **Company Number**

7346826 (England & Wales)

#### **Principal and Registered Office**

Christie Gardens  
Chadwell Heath  
Romford, Essex  
England RM6 4RS

# **CHADWELL HEATH ACADEMY**

**2**

## **FINANCIAL STATEMENTS Year Ended 31 August 2012**

### **REFERENCE & ADMINISTRATIVE DETAILS (Continued)**

#### **Independent Auditor**

Curren & Associates  
P O Box 3209  
Christchurch  
Dorset BH23 4YP

#### **Bankers**

Bank of Ireland  
London Region  
P O Box 1755  
Croydon  
Surrey CR9 2SB

#### **Solicitors**

Humphries Kirk LLP  
40 High West Street  
Dorchester  
Dorset DT1 1UR

**GOVERNORS' REPORT****Year Ended 31 August 2012**

The Governors present their Annual Report together with the Financial Statements and Auditors' Report of the charitable company for the year ended 31 August 2012

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Constitution**

Chadwell Heath Academy which is a Company Limited by Guarantee incorporated in England & Wales on 16 August 2010 (Number 7346826) is also an Exempt Charity. The Charitable Company's Memorandum and Articles of Association which are the primary governing documents of the Academy also define Chadwell Heath Academy as "The Academy Trust"

The term "Governors" which has been used throughout these Financial Statements also covers the roles as Trustees for the charitable activities of Chadwell Heath Academy and as Directors of the Charitable Company for the purposes of Company Law

Details of the Governors who served throughout the period are included in Reference and Administrative Details on page 1

**Members Liability**

Each Member of the Chadwell Heath Academy undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while they are a member, or within one year after they cease to be a Member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member

**Governors' Indemnity**

The Academy has taken out cover with third party insurance providers relating to Governors' indemnity at a total cost of £1,287. The limit of Indemnity cover is £ 2 million

**Principal Activities**

The principal activity of the Academy is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum

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

The Articles of Association provide for the appointment or election of the undernoted categories of Governors ,

- Principal Governor (ex officio) - Headmaster
- 3 Permanent Governors - Being signatories to the Memorandum (or their replacements)
- 5 Trustee-Appointed Governors - Appointed by the Principal and permanent Governors
- Minimum of 2 / maximum of 4 Parent Governors - Elected by Parents of registered pupils at the Academy
- 2 Staff Governors - Elected by employees at the Academy - the total number of Staff Governors, inclusive of the Principal Governor, not to exceed at any time 1/3 of the total number of Governors
- Up to 3 Co-Opted Governors - Appointed by the Governors

**GOVERNORS' REPORT (Continued)****Year Ended 31 August 2012****STRUCTURE, GOVERNANCE AND MANAGEMENT (Continued)****Method of Recruitment and Appointment or Election of Governors (Continued)**

The election of Parent and Staff Governors is outside the control of the Governing Body

The appointment of Governors which fall within the jurisdiction of the Governing Body are made on the basis of what skills and contribution new Governors can make to the Governing Body in the conduct of the business of the Academy

**Policies and Procedures Adopted for the Induction and Training of Governors**

On an appointment or election, each new Governor is issued with a Handbook giving details relevant to being a Governor at Chadwell Heath Academy

Arranged Induction meetings include ,

A meeting with the Chairman who will explain the structure and workings of the Academy, and

Meetings with the Headmaster who will ,

- Discuss all current issues being dealt with by the Governing Body
- Explain the roles and responsibilities of Managers within the Academy
- Take the new Governor on a tour of the Academy
- Introduce the new Governor to personnel within the Academy

Governors are made aware of what training courses are available and are encouraged to attend courses to enhance their contribution to their role as a Governor of Chadwell Heath Academy

**Organisational Structure****Governing Body**

The Governing Body is responsible for strategic planning and for monitoring of actions taken by the Headmaster in the implementation of those plans

**Sub-Committees of the Governing Body**

Constituted sub-Committees each of which has oversight responsibilities are and deal with ,

- Finance and Personnel
- Admissions
- Health & Safety
- Inclusion & Child Protection

**Headmaster & Senior Leadership Team**

The Headmaster in association with the Senior Leadership Team is responsible for the day-to-day management of the Academy and for the implementation of the strategic decisions of the Governing Body

**GOVERNORS' REPORT** (Continued)  
**Year Ended 31 August 2012**

**STRUCTURE, GOVERNANCE AND MANAGEMENT** (Continued)

**Organisational Structure** (Continued)

**Accounting Officer**

The Headmaster is the Accounting Officer, assisted by the School Manager

**Responsible Officer**

A Governor has been appointed as Responsible Officer to carry out internal audits of financial procedures and controls

**Risk Management**

Major risks identified and addressed by Governors include ,

- **Strategic Risks**  
Failure to comply with UK or Europe legislation  
Failure to comply with environmental protection measures
- **Operational Risks**  
Encountered by staff in the daily course of their work such as ,  
Information failure  
Hardware failure  
Physical issues - relating to fire, security, health and safety
- **Financial Risks**  
Risks relating to financial controls and procedures

The Governors have established systems and procedures to identify and manage issues of Risk which are subject to annual review

**GOVERNORS' REPORT (Continued)****Year Ended 31 August 2012****OBJECTIVES AND ACTIVITIES****Objects and Aims**

As defined in the Articles of Association, the principal object of the Academy is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum

This principal objective incorporates the provision and maintenance of the highest attainable education standards for its students

In setting objectives and planning activities, the Governors have given careful consideration to the Charity Commission's general guidance on public benefit

The main objectives of the Academy are summarised below ,

- To ensure that every student enjoys the same high quality education in terms of resourcing, tuition and care
- To improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review
- To provide value for money for all funds expended
- To comply with all appropriate statutory and curriculum requirements
- To conduct all business in accordance with the highest standards of integrity, probity and openness

**Achievements and Performance**

Achievements in 2011/2012 were in line with defined objectives, aims and planning

The allocation of resources and dedicated action by teaching staff ensured that students had access to high quality education which in turn had positive impact on the public examination passes. Notable achievements in public examinations include ,

- Year 9 60 pupils were entered for GCSE statistics and achieved a 100% pass rate
- Year 11 There has been an improvement of the overall pass rate of 5 or more A\* to C grades at GCSE to 98%
- At AS there was a 92% pass rate
- At A2 there was a 98% pass rate

The Academy environment has been, and continues to be improved by the allocation of financial resources. Plans for future development include ,

- A two storey unit incorporating lower ground toilets and an upper level office and classroom
- Extension at first floor level incorporating additional office and classroom capacity



**GOVERNORS' REPORT (Continued)****Year Ended 31 August 2012****GOING CONCERN**

After making appropriate enquiries, the Governing Body has a reasonable expectation that Chadwell Heath 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.

**OPERATING & FINANCIAL REVIEW**

The Academy's main source of income is derived from the EFA. The grants received during the year ended 31 August 2012 and the associated expenditure are shown in the Statement of Financial Activities - Page 19.

**Unrestricted Fund**

Net incoming resources for the year before transfers amounted to £23K (2011 £2K). The reclassification of the £91K 2011 pension provision as Restricted General Funds gives rise to a carry-forward surplus of £30K (2011 Deficit £84K).

**Restricted General Funds**

Restricted incoming resources for the year which amounts to £7,633K (2011 £7,394K) is mainly comprised of grants receivable from EFA. Restricted expenditure for the year amounted to £6,945K (£7,159K) giving a surplus of £688K (£235K) before Funds transfers.

Expenditure of £194K has been charged to satisfy the requirements of FRS17, Retirement Benefits, in relation to the Academy's pension scheme liabilities - See Note 21 to the Financial Statements.

The Surplus carried forward at 31 August 2012 amounts to £553K (2011 £744K).

**Restricted Fixed Assets Fund**

The balance on the Fund at 31 August 2012 net of depreciation totals £16,200K (2011 £14,998K). Details of movement are highlighted in Note 11 to the Financial Statements.

**GOVERNORS' REPORT** (Continued)**Year Ended 31 August 2012****OPERATING & FINANCIAL REVIEW** (Continued)**Pension Fund Shortfall**

An expense provision of £194,000 has been made in the Statement of Financial Activities. This additional shortfall during the year is based on an Actuarial valuation as at 31 August 12

Note 21 to the Financial Statements explains the pension shortfall commitment more clearly

**Principle Risks and Uncertainties**

Principal risks and uncertainties faced by Chadwell Heath Academy and considered by Governors include ,

**Strategic Risks**

- Fraud
- Failure to comply with Health & Safety
- Failure to comply with HR Legislation

**Operational Risks**

- Production of inaccurate information for consideration by Governors
- Long-term illness of Finance Staff
- Computer system crashes
- Fire & Flood

**Financial Risks**

- Budget Holder overspends
- Contractors ceasing to trade part way through Capital Projects

Management of each of the above risks is covered by a defined action plan which is allocated for actioning

**Reserves and their Application**

Reserves at 31 August comprise ,

	2012 £000	2011 £000
a) Restricted Fixed Assets Fund	16,200	14,998
b) Restricted General Fund	553	744
c) Unrestricted Fund	30	( 84)

Commencing with 2011/2012 there is no expenditure restriction imposed on carry-forward GAG amounts, Governors have agreed the available General Fund surplus will be primarily applied to meet the cost of property enhancement, refurbishment and repairs

**GOVERNORS' REPORT (Continued)**  
**Year Ended 31 August 2012**

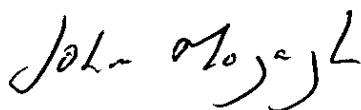
**AUDITOR**

In so far as the Governors are aware ,

- There is no relevant audit information of which the Charitable Company's Auditor is unaware and,
- The Governors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish the Auditor is aware of that information

Curren & Associates who were appointed to undertake the audit of Chadwell Heath Academy for the year ended 31 August 2012 have indicated willingness to stand for reappointment for the 2012/2013 financial year

Approved by orders of the Members of the Governing Body on 27 November 2012 and signed on its behalf by ,



**Mr J J Moynagh**  
**Chairman**

**GOVERNANCE STATEMENT****Year Ended 31 August 2012****Scope of Responsibility**

As Governors, we acknowledge we have overall responsibility for ensuring that Chadwell Heath 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 Headmaster, 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 Chadwell Heath Academy and the Secretary of State for Education. They are 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 Governor's Report and in the Statement of Governors' Responsibilities. The Governing body has formally met four times during the year. Attendance during the year at Meetings of the Governing Body was as follows,

**Governors - Meetings Attended out of a possible number**

3/4	Mr J J Moynagh	(Chairman)
4/4	Mr P M Brewster	(Chairman of Finance and Personnel)
2/4	Mr N E Abbott	
3/4	Mrs A Bashir	
4/4	Mrs J N Chapman	
2/4	Mrs J M Clarke	(Responsible Officer)
3/4	Mr J N Crisp	
3/4	Mr E A Heath	
2/4	Mr J Johnson	
3/4	Rev E M Kibathi	
4/4	Mrs S Knight	(Staff Governor)
2/4	Mr P T Sedani	
2/4	Mr D V Shah	
0/4	Mr T R Stockill	
1/4	Mr G P Staught	
3/4	Mr D Thompson	(Staff Governor)
3/4	Mr K E Wilkinson	(Headmaster & Accounting Officer)

**GOVERNANCE STATEMENT (Continued)****Year Ended 31 August 2012****The Finance and Staff Committee**

The Finance and Staff Committee is a sub-Committee of the main Governing Body

Its purpose is to ,

- Draw any matters of significance or concern to the attention of the Governing Body
- Consider and recommend acceptance or non-acceptance of the Academy Budget for approval at the start of each financial year
- Review and decide remuneration for those members of staff on the Leadership scale
- Monitor and review expenditure on a regular basis and ensure compliance with overall financial planning and EFA financial regulations

**Governors - Meetings Attended out of a possible number**

4/4 Mr P M Brewster (Chairman of Finance and Personnel)

2/4 Mr N E Abbott

3/4 Mr J N Crisp

3/4 Mr K E Wilkinson (Headmaster & Accounting Officer)

**The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Chadwell Heath Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Chadwell Heath Academy for the year ended 31 August 2012 and up to the date of approval of the Governors' Report & Financial Statements.

**Capacity to Handle Risk**

The Governing Body has reviewed the key risks to which Chadwell Heath Academy is exposed together with the operating, financial and compliance controls which have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Chadwell Heath Academy significant risks which has been in place for the year ended 31 August 2012 and up to the date of approval of the Governors' Report & Financial Statements. This process is regularly reviewed by the Governing Body.

**GOVERNANCE STATEMENT (Continued)****Year Ended 31 August 2012****The Risk and Control Framework**

The Chadwell Heath Academy system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes ,

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body
- Regular reviews by the Finance and Staff Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- Setting targets to measure financial and other performance
- Clearly defined purchasing ( asset purchase or capital investment) guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed Mrs J Clarke, a Governor, as Responsible Officer ("RO"). The RO's role includes giving advice on financial matters and performing a range of checks on the Chadwell Heath Academy financial systems

During the year ended 31 August 2012 the RO has submitted Termly Reports to the Governing Body covering systems and procedural reviews principally relating to Payroll, Purchases, Income and Bank Reconciliations

**Review of Effectiveness**

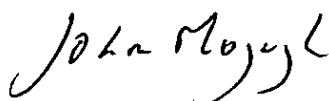
As Accounting Officer, the Headmaster has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by ,

- The work of the Responsible Officer
- The work of the External Auditor
- The financial management and governance self assessment process
- The work of the executive managers within Chadwell Heath 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 reviews of the system of internal control by the Finance and Staff Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place

Approved by order of the Members of the Governing Body on 27 November 2012 and signed on its behalf by ,

Mr J J. Moynagh  
Chairman



Mr K.E. Wilkinson  
Accounting Officer



**STATEMENT ON REGULARITY, PROPRIETY  
AND COMPLIANCE**

**Year Ended 31 August 2012**

As Accounting Officer of Chadwell Heath Academy I have considered my responsibility to notify the Governing Body and the Education Funding Agency of any material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the Funding Agreement in place between Chadwell Heath Academy and the Secretary of State for Education

As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook

I confirm that I and the Chadwell Heath Academy Governing Body are able to identify any material irregular or improper use of funds , or material non-compliance with the terms and conditions of funding under the Chadwell Heath Academy Funding Agreement and the Academies Financial Handbook

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date



**Mr K E Wilkinson**  
**Accounting Officer**

**27 November 2012**

**STATEMENT OF GOVERNORS' RESPONSIBILITIES****Year Ended 31 August 2012**

The Governors (who act as Trustees for the charitable activities of Chadwell Heath Academy and are also the Directors of the Charitable Company for the purposes of Company Law ) are responsible for preparing the Governors' Report and Financial Statements in accordance with the Annual Accounts Requirements 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 the income and expenditure, for that period.

In preparing these Financial Statements, the Governors are required to ,

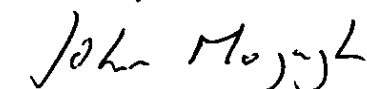
- Select suitable accounting policies and then apply them consistently
- Observe the method and principles of the Charities SORP
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business

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

The Governors are responsible for ensuring that in its conduct and operation Chadwell Heath Academy applies financial and other controls, which conform with the requirements both of propriety and good financial management. They are also responsible for ensuring grants received from 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 Chadwell Heath Academy 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 27 November 2012 and signed on its behalf by ,



Mr J.J. Moynagh  
Chairman



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHADWELL HEATH ACADEMY (Page 1 of 2)**

We have audited the Financial Statements of Chadwell Heath Academy for the year ended 31 August 2012 which comprise of the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework which has been applied in their preparation is ,

- United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)
- The Annual Accounts Direction 2011/2012 issued by the EFA
- Applicable law

### **Respective Responsibilities of Governors and Auditor**

As explained more fully in the Statement of Governors' / Trustees Responsibilities set out on Page 14, 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 satisfying themselves 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 Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of ,

- Whether the Accounting Policies are appropriate to the Charitable Company's circumstances and have been consistently applied and adequately disclosed
- The reasonableness of significant accounting estimates made by the Governors
- The overall presentation of the Financial Statements

In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHADWELL HEATH ACADEMY (Page 2 of 2)**

**Opinion on Financial Statements**

In our opinion the Financial Statements ,

- Give a true and fair view of the state of the Charitable Company's affairs as at 31 August 2012 and of its incoming resources and application of resources, including income and expenditure for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006
- Have been prepared in accordance with the Accounts Direction 2011/2012 issued by the EFA

**Opinion on Other Matters**

In our opinion grants received from the EFA / DfE have been applied for the purposes intended

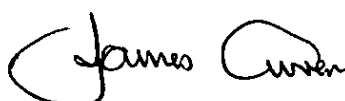
**Opinion on Other Matter Prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements

**Matters on which we are required to Report by Exception**

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

- Adequate accounting records have not been kept
- The Financial Statements are not in agreement with the accounting records
- Certain disclosures of Governors' / Trustees remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit



**James Curren  
(Senior Statutory Auditor)**

**For and on behalf of**

**Curren & Associates  
(Statutory Auditor)**

**P O.Box 3209  
Christchurch  
Dorset  
BH23 4YP**

**27 November 2012**

**INDEPENDENT AUDITOR'S REPORT ON REGULARITY  
TO THE GOVERNING BODY OF CHADWELL HEATH ACADEMY  
AND THE EDUCATION FUNDING AGENCY (Page 1 of 2)**

In accordance with the terms of our engagement letter dated 6 June 2012 and further to the requirements of the Education Funding Agency ("EFA"), we have carried out a review to obtain assurance about, in all material aspects, the expenditure disbursed and income received by Chadwell Heath Academy during the year ended 31 August 2012 have been applied for the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This Report is made solely to the Governing Body and the EFA. Our review work has been undertaken so that we might state to the Governing Body and the EFA those matters we are required to state to it in a report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body and the EFA, for our review work, for this Report, or for the opinion we have formed

**Respective Responsibilities of the Governing Body and Auditors**

The Governing Body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

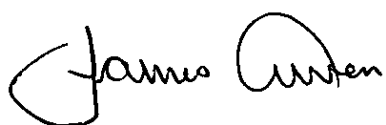
**Basis of Opinion**

We conducted our review in accordance with the Academies Handbook and the Accounts Direction issued by the EFA

**INDEPENDENT AUDITOR'S REPORT ON REGULARITY  
TO THE GOVERNING BODY OF CHADWELL HEATH ACADEMY  
AND THE EDUCATION FUNDING AGENCY (Page 2 of 2)**

**Opinion**

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



**James Curren  
(Senior Statutory Auditor)**

**For and on behalf of**

**Curren & Associates  
(Statutory Auditor)**

**P O Box 3209  
Christchurch  
Dorset  
BH23 4YP**

**27 November 2012**

**CHADWELL HEATH ACADEMY**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**Year Ended 31 August 2012**

**19**

(including Income & Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2012 £000	Total 2011 £000
<b>Incoming Resources</b>						
Incoming resources from generated funds						
Voluntary Income	2	15	170	-	185	182
Transfer from LA on conversion		-	-	-	-	14,129
Activities for generating funds		-	-	-	-	1
Investment Income	3	14	-	-	14	-
Incoming resources from charitable activities						
Funding for the Academy's educational operations	4	-	7,463	954	8,417	7,213
<b>Total Incoming Resources</b>		<b>29</b>	<b>7,633</b>	<b>954</b>	<b>8,616</b>	<b>21,525</b>
<b>Resources Expended</b>						
Cost of generating funds	5					
Costs of generating voluntary income		-	150	-	150	184
Fundraising trading		-	-	-	-	-
Charitable activities						
Academy's educational operations	6	6	6,782	346	7,134	6,957
Governance costs	7	-	13	-	13	18
<b>Total Resources Expended</b>		<b>6</b>	<b>6,945</b>	<b>346</b>	<b>7,297</b>	<b>7,159</b>
<b>Net incoming / (Outgoing) Resources before Transfers</b>		<b>23</b>	<b>688</b>	<b>608</b>	<b>1,319</b>	<b>14,366</b>
Gross transfers between funds		91 (	685)	594	-	-
<b>Net Income / (Expenditure) for the Period</b>		<b>114</b>	<b>3</b>	<b>1,202</b>	<b>1,319</b>	<b>14,366</b>
<b>Other Recognised Gains and Losses</b>						
Actuarial (losses) gains on defined benefit pension scheme	21	- (	194)	- (	194)	( 91)
<b>Net Movement in Funds</b>		<b>114 (</b>	<b>191)</b>	<b>1,202</b>	<b>1,125</b>	<b>14,275</b>
<b>Reconciliation of Funds</b>						
Funds Brought Forward 31 August 2011		( 84)	744	14,998	15,658	1,383
<b>Funds C/Forward at 31 August 2012</b>	<b>14</b>	<b>30</b>	<b>553</b>	<b>16,200</b>	<b>16,783</b>	<b>15,658</b>

All of the Academy's activities derive from continuing operations during the above period

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

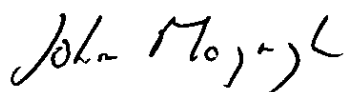
The attached Notes to Financial Statements on Pages 22 to 40 form an integral part of the Financial Statements

**BALANCE SHEET**
**as at 31 August 2012**

	Note	2012 £000	2012 £000	2011 £000	2,011 £000
<b>Fixed Assets</b>					
Tangible Assets	11		16,200		14,998
<b>Current Assets</b>					
Debtors	12	162		272	
Cash at bank and in hand		1461		2,210	
		<u>1,623</u>		<u>2,482</u>	
<b>Creditors</b>					
Amounts falling due within one year	13	( 755)	( 1,731)		
<b>Net Current Assets</b>			<u>868</u>		<u>751</u>
<b>Total Assets less Current Liabilities</b>			<u>17,068</u>		<u>15,749</u>
<b>Net Assets excluding Pension Liability</b>					
Pension scheme liability	21	( 285)	( 91)		
<b>Net Assets including Pension Liability</b>			<u>16,783</u>		<u>15,658</u>
<b>Funds of the Academy</b>	14				
<b>Restricted Funds</b>					
Fixed Assets Fund		16,200		14,998	
General Funds		838		744	
Pension Reserve		( 285)	( 91)		
<b>Total Restricted Funds</b>			<u>16,753</u>		<u>15,651</u>
<b>Unrestricted Funds</b>					
General Funds		<u>30</u>	<u>7</u>		
<b>Total Unrestricted Funds</b>			<u>30</u>		<u>7</u>
<b>Total Funds</b>			<u>16,783</u>		<u>15,658</u>

The attached Notes to Financial Statements on Pages 22 to 40 form an integral part of the Financial Statements

The Financial Statements which were approved by the Governors on 27 November 2012 and authorised for issue on 27 November 2011 are signed on their behalf by ,



**Mr J.J. Moynagh**  
Chairman

**CASHFLOW STATEMENT****Year Ended 31 August 2012**

	Note	2012 £000	2,011 £000
Net Cash (Outflow) / Inflow from Operating Activities	17	( 169)	2,137
Returns on investments	18	14	-
Capital expenditure	19	( 594)	( 1,219)
		<hr/>	<hr/>
(Decrease) / Increase in cash in period		( 749)	918
		<hr/>	<hr/>
<b>Reconciliation of net cash-flow movement</b>			
Net cash at 16 August 2011		2,210	1,292
Add above (decrease) / increase		( 749)	918
		<hr/>	<hr/>
Net cash at 31 August 2012		1,461	2,210
		<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS****Year Ended 31 August 2012**

<b>Note</b>	<b>Page</b>	
<b>1</b>	<b>23</b>	<b>..... Statement of Accounting Policies</b>
<b>2</b>	<b>27</b>	<b>. .... Voluntary Income</b>
<b>3</b>	<b>27</b>	<b>.. . . . Investment Income</b>
<b>4</b>	<b>27</b>	<b>.. . .... Funding for Academy's Educational Operations</b>
<b>5</b>	<b>28</b>	<b>. .... Resources Expended</b>
<b>6</b>	<b>29</b>	<b>. . . . Charitable Activities - Academy's Educational Operations</b>
<b>7</b>	<b>29</b>	<b>. .... Governance Costs</b>
<b>8</b>	<b>30</b>	<b>. Staff Costs</b>
<b>9</b>	<b>30</b>	<b>. . . . Governors' Remuneration and Expenses</b>
<b>10</b>	<b>31</b>	<b>. .... Governors' and Officers' Insurance</b>
<b>11</b>	<b>31</b>	<b>. .... Tangible Fixed Assets</b>
<b>12</b>	<b>31</b>	<b>. . .... Debtors</b>
<b>13</b>	<b>32</b>	<b>.. .. Creditors : Amounts Falling Due Within One Year</b>
<b>14</b>	<b>32</b>	<b>.. .... Funds</b>
<b>15</b>	<b>33</b>	<b>.. . . . Analysis of Net Assets Between Funds</b>
<b>16</b>	<b>34</b>	<b>.. . . . Capital Commitments</b>
<b>17</b>	<b>34</b>	<b>..... . Reconciliation of Net Income to Net Cash Inflow from Operations</b>
<b>18</b>	<b>34</b>	<b>. .... Returns on Investments &amp; Servicing of Finance</b>
<b>19</b>	<b>34</b>	<b>. .... Capital Expenditure and Financial Investment</b>
<b>20</b>	<b>34</b>	<b>.. . . . Members' Liability</b>
<b>21</b>	<b>35</b>	<b>. .... Pension and Similar Obligations</b>



**NOTES TO THE FINANCIAL STATEMENTS****Year Ended 31 August 2012****1 STATEMENT OF ACCOUNTING POLICIES****1.1 Basis of Preparation**

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

**1.2 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 which may cast significant doubt on the ability of the Company to continue as a going concern. The Governors make the assessment in respect of a period of one year from the date of approval of the Financial Statements.

**1.3 Incoming Resources**

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

- **Grants Receivable**

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

- **Donations**

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

- **Other Income**

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

**1.4 Resources Expended**

All expenditure is recognised in the period in which the liability is incurred and has been classified under headings which aggregate all costs relating to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Year Ended 31 August 2012****1. STATEMENT OF ACCOUNTING POLICIES (Continued)****1.4 Resources Expended (Continued)**

- **Costs of Generating Funds**

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

- **Charitable Activities (Academy's Educational Operations)**

These are costs incurred relating to the Academy's educational operations

- **Governance Costs**

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

All resources expended are inclusive of any irrecoverable VAT

**1.5 Tangible Fixed Assets**

Individual assets costing £500 or more are capitalised as Tangible Fixed Assets and are carried at cost, net of depreciation and any provision for impairment

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

An analysis of Tangible Fixed Assets on the Academy's balance sheet at 31 August 2012 is shown in Note 11 to the Financial Statements

**Depreciation Policy**

Depreciation is provided on all Tangible Fixed Assets other than Freehold Land, at rates calculated to write off cost of each asset on a straight-line basis over its expected useful life, as follows ,

- |                                  |         |
|----------------------------------|---------|
| • Freehold Buildings             | 2-6%    |
| • Fixtures, Fittings & Equipment | 20%     |
| • Computer Equipment & Software  | 33 1/3% |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Year Ended 31 August 2012****1 STATEMENT OF ACCOUNTING POLICIES (Continued)****1.5 Tangible Fixed Assets (Continued)****Depreciation Policy (Continued)**

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

A review for impairment of fixed assets 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.

**1.6 Taxation**

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

**1.7 Pension Benefits**

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ("TPS") and the local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets of which are held separately from those of the Academy.

**TPS Scheme**

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Year Ended 31 August 2012****1 STATEMENT OF ACCOUNTING POLICIES (Continued)****1.7 Pension Benefits (Continued)****LGPS Scheme**

The LGPS scheme 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 service 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 other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

**1.8 Fund Accounting****Unrestricted Income Funds**

Represent those resources which may be used towards meeting any of the charitable objects of the Academy at the discretion of the Governors.

**Restricted Fixed Assets Funds**

Are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency where the assets acquired or created are held for a specific purpose.

**Restricted General Funds**

Comprise all other restricted funds received and include grants from the Education Funding Agency.

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**Year Ended 31 August 2012**
**2 VOLUNTARY INCOME**

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Gift Aid & other donations	2	-	2	2
Trips & other related activities	-	170	170	180
Sundry Income	13	-	13	-
	<b>15</b>	<b>170</b>	<b>185</b>	<b>182</b>

**3 INVESTMENT INCOME**

Bank Interest	14	-	14	-
	<b>14</b>	<b>-</b>	<b>14</b>	<b>-</b>

**4 FUNDING FOR ACADEMY'S  
EDUCATIONAL OPERATIONS**

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fxd Assets Funds £000	Total 2012 £000	Total 2011 £000
<b>EFA revenue grants</b>					
GAG allocation for the year	-	7014	954	7968	6,935
Other Grants	-	161	-	161	-
<b>Other funding income</b>					
Student catering income	-	251	-	251	220
Other funding contributions & grants		37	-	37	58
	<b>-</b>	<b>7,463</b>	<b>954</b>	<b>8,417</b>	<b>7,213</b>

**NOTES TO FINANCIAL STATEMENTS** (Continued)**Year Ended 31 August 2012****5 RESOURCES EXPENDED**

	Staff Costs £000	Non-Pay Expenditure Premises £000	Other £000	Total 2012 £000	Total 2,011 £000
<b>Costs of generating voluntary income</b>					
Trips & Other related activities	-	-	150	150	184
<hr/>					
<b>Academy's educational operations</b>					
Direct costs	4,633	-	404	5,037	5,084
Allocated support costs	276	1,233	588	2,097	1,873
<hr/>					
	4,909	1,233	992	7,134	6,957
<hr/>					
<b>Governance costs</b>					
Support costs	-	-	13	13	18
<hr/>					

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**Year Ended 31 August 2012****6 CHARITABLE ACTIVITIES - ACADEMY'S  
EDUCATIONAL OPERATIONS**

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
<b>Direct Costs</b>				
Teaching & educational support staff costs	-	4,616	4,616	4,588
Depreciation	-	35	35	52
Educational Supplies	-	242	242	287
Examination fees	-	127	127	134
Staff development	-	17	17	23
	-	5,037	5,037	5,084
<b>Allocated Support Costs</b>				
Support staff costs	-	235	235	240
Depreciation	-	311	311	298
Recruitment & support	-	21	21	13
Maintenance of premises & equipment	-	655	655	577
Cleaning	-	125	125	132
Rent & rates	-	73	73	38
Insurances	-	69	69	58
Security & transport	-	44	44	40
Catering	-	315	315	280
Bank interest & charges	-	3	3	3
Other support costs	6	240	246	194
	6	2,091	2,097	1,873
	6	7128	7134	6957
<b>7 GOVERNANCE COSTS</b>				
Legal & professional fees	-	1	1	8
Auditor's remuneration				
Audit & Accountancy	-	12	12	9
Support costs	-	-	-	1
	-	13	13	18

**NOTES TO FINANCIAL STATEMENTS** (Continued)**Year Ended 31 August 2012****8 STAFF COSTS**

	2012 £000	2011 £000
Staff costs during the year were ,		
Wages & salaries	3,956	3,954
Social security costs	319	314
Pension costs	560	507
	<hr/>	<hr/>
	4,835	4,775
Other staff-related costs	74	89
	<hr/>	<hr/>
	4,909	4,864

The average number of persons (including senior management team) employed by the Academy during the period expressed as full time equivalents was as follow ,

	2012 Number	2011 Number
<b>Charitable Activities</b>		
Teachers	79	77
Administration & support	38	38
Management	5	5
	<hr/>	<hr/>
	122	120

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

£	2012 Number	2011 Number
60,001 - 70,000	1	1
70,001 - 80,000	1	1
100,001 - 110,000	1	1

Each of the above employees participated in the Teachers' Pension Scheme During the year ended 31 August 2012, pension contributions for these staff amounted to £35,161 (2011 £35,161)

**9 GOVERNORS' REMUNERATION AND EXPENSES**

The Principal and Staff Governors only receive remuneration in respect of services they provide undertaking the roles as members of staff and not in respect of their services as Governors

Principal	£108,000 (2011 £108,000)
Staff Governor	£53,000 (2011 £53,000)
Staff Governor	£13,000 (2011 £12,000)

Other Governors did not receive any payments, inclusive of expenses, from the Academy in respect of their role as Governors



**NOTES TO FINANCIAL STATEMENTS (Continued)**
**Year Ended 31 August 2012**
**10 GOVERNORS' & OFFICERS' INSURANCE**

In accordance with 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 cover has an Indemnity limit of £2,000,000 and the premium cost for the year was £1,287 (2011 £1,276)

**11 TANGIBLE FIXED ASSETS**

	Freehold Land & Buildings £000	Buildings Capital Improvement £000	Furniture & Equipment £000	Computer Equipment £000	Total £000
<b>Cost or Valuation</b>					
At 31 August 2011	14,054	1,192	96	6	15,348
Additions	-	1,538	-	10	1,548
At 31 August 2012	14,054	2,730	96	16	16,896
<b>Depreciation</b>					
At 31 August 2011	275	23	50	2	350
Charged in the year	275	36	30	5	346
At 31 August 2012	550	59	80	7	696
<b>Net Book Value</b>					
At 31 August 2012	13,504	2,671	16	9	16,200
<b>Net Book Value</b>					
At 31 August 2011	13,779	1,169	46	4	14,998

The values for Freehold Land & Buildings are based on a professional valuation at 1 September 2010 carried out by GVA Gamely Limited, a Company regulated by Royal Institution of Chartered Surveyors

**12 DEBTORS**

	2012 £000	2011 £000
Value Added Tax	84	186
Prepayments	78	85
Other Debtors	-	1
	<b>162</b>	<b>272</b>

**NOTES TO FINANCIAL STATEMENTS** (Continued)

**Year Ended 31 August 2012**
**13 CREDITORS :**
**AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £000	2,011 £000
Trade Creditors	68	531
Other taxation & social security	99	98
Pension liabilities	64	61
Accruals & other creditors	440	572
Deferred income	84	469
	<b>755</b>	<b>1,731</b>

**14 FUNDS**

	Balance 01-Sep 2011 £000	Incoming Resources £000	Resources Expended £000	Actuarial Deficit £000	Balance 31-Aug 2012 £000
<b>RESTRICTED GENERAL FUNDS</b>					
Balance 31 August 2011	744	-	-	-	744
Incoming & expended resources		7,633	( 6,945)	-	688
Pension Reserve		-	-	( 194)	( 194)
Inter-Fund transfers	-		( 685)	-	( 685)
	<b>744</b>	<b>7,633</b>	<b>( 7,630)</b>	<b>( 194)</b>	<b>553</b>

The principal purpose of the Restricted General Fund is the provision of resources for the refurbishment of Academy property

**NOTES TO FINANCIAL STATEMENTS** (Continued)

**Year Ended 31 August 2012**
**14 FUNDS** (Continued)

	Balance 01-Sep 2011 £000	Incoming Resources £000	Resources Expended £000	Balance 31-Aug 2012 £000
<b>RESTRICTED FIXED ASSET FUND</b>				
Land & Buildings	14,998	-	-	14,998
Addition during the year	-	-	1,548	1,548
Depreciation	-	346	-	( 346)
	<b>14,998</b>	<b>346</b>	<b>1,548 00</b>	<b>16,200</b>

The purpose of the Restricted Fixed Asset Fund is to hold the Academy's fixed assets recorded net of depreciation

**UNRESTRICTED FUND**

Unrestricted funds	( 84)	-	-	( 84)
Incoming & expended resources	-	29	( 6)	23
<b>Inter-Fund transfers</b>				
Pension Reserve	-	91	-	91
	<b>( 84)</b>	<b>120</b>	<b>( 6)</b>	<b>30</b>

**15 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Fund balances at 31 August 2012 are represented by ,

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000
Tangible fixed assets	-	-	16,200	16,200
Current assets	30	1,593	-	1,623
Current liabilities	-	( 755)	-	( 755)
Pension Scheme Liability	-	( 285)	-	( 285)
	<b>30</b>	<b>553</b>	<b>16,200</b>	<b>16,783</b>

**NOTES TO FINANCIAL STATEMENTS** (Continued)**Year Ended 31 August 2012**

	2012 £000	2011 £000
<b>16 CAPITAL COMMITMENTS</b>		
Contracted for, but not provided for in the Financial Statements	-	928

**17 RECONCILIATION OF NET INCOME TO  
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2012 £000	2011 £000
Net income	1,319	237
Depreciation (Note 11)	346	350
Capital Grants from EFA	( 954)	-
Interest received	( 14)	-
Decrease / (Increase) in debtors	110	( 272)
(Decrease) / Increase in creditors	( 976)	1,822
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<b>( 169)</b>	<b>2,137</b>

**18 RETURNS ON INVESTMENTS AND  
SERVICING OF FINANCE**

Interest received	14	-
<b>Net Cash Inflow from Returns on Investments</b>	<b>14</b>	<b>-</b>

**19 CAPITAL EXPENDITURE**

Purchase of tangible fixed assets	( 1,548)	( 1,219)
Capital Grants from EFA	954	-
<b>Net Cash Outflow from Capital Expenditure</b>	<b>( 594)</b>	<b>( 1,219)</b>

**20 MEMBERS' LIABILITY**

Each Member of the Chadwell Heath Academy undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while they are a member, or within one year after they cease to be a Member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member

**NOTES TO FINANCIAL STATEMENTS (Continued)****Year Ended 31 August 2012****21 PENSION & SIMILAR OBLIGATIONS**

Chadwell Heath Academy ("CHA") employees belong to two principal pension schemes ,

- a) The Teachers' Pension Scheme England & Wales ("TPS") for academic and related members of staff and,
- b) The Local Government Pension Scheme ("LGPS") for non-teaching members of staff which is managed by the London Borough of Redbridge

Both schemes 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 August 2012

**Teachers' Pension Scheme**

The TPS is a statutory, contributory, defined benefit scheme. The Regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Teachers' retirement and other pension benefits including annual increases payable under the Pension (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a "Pay-as-you-go" basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increase). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)****Year Ended 31 August 2012****21 PENSION & SIMILAR OBLIGATIONS (Continued)****Teachers' Pension Scheme (Continued)**

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2008 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, 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 employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. CHA is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, CHA has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

CHA has set out above the information available on the scheme and the implications for the Academy in terms of the anticipated contribution rates.

**NOTES TO FINANCIAL STATEMENTS** (Continued)

**Year Ended 31 August 2012**
**21 PENSION & SIMILAR OBLIGATIONS** (Continued)

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2012 was £125,226 of which employer's contributions totalled £93,859 and employees' contributions totalled £31,367.

The LGPS scheme which was valued as at 31 August 2012 by a professional Actuary defined a scheme shortfall of £285,000 at that date summarised as follows,

	£ 31-Aug-12	£ 31-Aug-11
Present value of funded liabilities	1,727,000	1,342,000
Fair value of Employer assets	( 1,442,000)	( 1,251,000)
	<b>285,000</b>	<b>91,000</b>

**Principal Actuarial Assumptions**

The undernoted assumptions have been applied for the assessment of the initial asset allocation,

	31-Aug-12	31-Aug-11
a) Rate of increase in salaries	4.0%	4.4%
b) Rate of increase for pensions in payment / inflation	2.2%	2.6%
c) Discount Rate for scheme liabilities	4.1%	5.4%
d) Expected return on Assets	4.5%	5.8%
e) The average future life expectancies at age 65 are ,		
Current Pensioners		
Males	21.9 Years	21.9 Years
Females	24.7 Years	24.7 Years
Future Pensioners		
Males	23.8 Years	23.8 Years
Females	26.5 Years	26.5 Years
f) Commutation - An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service		

**NOTES TO FINANCIAL STATEMENTS** (Continued)

**Year Ended 31 August 2012**
**21 PENSION & SIMILAR OBLIGATIONS** (Continued)

**Local Government Pension Scheme** (Continued)

**Sensitivity Analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below ,

Change in assumptions at year ended 31 August 2012	Approximate % Increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	170
1 Year increase in member life expectancy	3%	52
0.5% increase in the Salary Increase Rate	3%	48
0.5% increase in the Pension Increase Rate	7%	121

**Share of Assets & Liabilities**

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

	Expected Return at 31 Aug 12	Fair Value at 31 Aug 12	Expected Return at 31 Aug 11	Fair Value at 31 Aug 11
		£000		£000
Equities	5.5%	779	6.8%	663
Bonds	3.2%	533	4.6%	463
Property	3.7%	87	4.8%	75
Cash	2.8%	43	3.9%	50
Total Market Value of Assets		1,442		1,251
Present value of scheme liabilities - funded		( 1,727)		( 1,342)
Deficit in the scheme		( 285)		( 91)
Actual return on scheme assets		133		67



**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**Year Ended 31 August 2012****21 PENSION & SIMILAR OBLIGATIONS**

(Continued)

**Local Government Pension Scheme**

(Continued)

**Amounts recognised in the Statement of Financial Activities**

	31 Aug 12 £000	31 Aug 11 £000
Current Service Cost -		
Net of employee contributions	92	96
	<hr/>	<hr/>
Total Operating Charge	92	96
	<hr/>	<hr/>
Analysis of pension finance income / (costs)		
Expected return on scheme assets	74	75
Interest on pension liabilities	( 74)	( 67)
	<hr/>	<hr/>
Total	-	8
	<hr/>	<hr/>

**Actuarial Gains and Losses**

The actuarial gains and losses for the current year are recognised in the Statement of Financial Activities

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS17 is a loss of £42,000 ( 2011 gain £154,000 )

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

	31 Aug 12 £000	31 Aug 11 £000
At 1 September	1,342	1,354
Current Service Cost	92	96
Interest Cost	74	67
Employee Contributions	31	30
Actuarial Losses / (Gains)	255	( 162)
Estimated Benefits Paid	( 67)	( 43)
	<hr/>	<hr/>
At 31 August	1,727	1,342
	<hr/>	<hr/>

**NOTES TO FINANCIAL STATEMENTS** (Continued)**Year Ended 31 August 2012****21 PENSION & SIMILAR OBLIGATIONS** (Continued)**Local Government Pension Scheme** (Continued)**Movement in the fair value of the Academy's share of scheme assets ;**

	31 Aug 12	31 Aug 11
	£000	£000
At 1 September	1,251	1,093
Expected Return on Assets	74	75
Contributions by Members	31	30
Contributions by Employers	94	104
Actuarial Gains / (Losses)	59	( 8)
Benefits Paid	( 67)	( 43)
	<hr/>	<hr/>
At 31 August	1,442	1,251
	<hr/>	<hr/>

The estimated value of employer contributions for the year ending 31 August 2013 is £99,000