

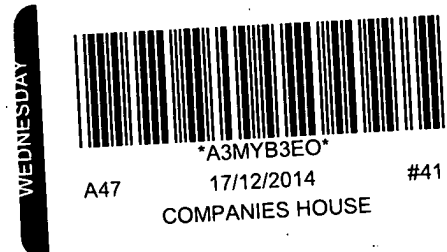
REGISTRAR OF COMPANIES

**King Edward VI
Grammar School,
Chelmsford**

Annual Report and Financial Statements

31 August 2014

Company Limited by Guarantee
Registration Number
07563345 (England and Wales)



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Reference and administrative information

Members	Thomas Carter (Headteacher and Accounting Officer) John Aldridge Andrew Goodwin Walter Hall Mary Turner Spencer Wilcox
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Governors	Spencer Wilcox (Chair of Governors) Christine Aldridge John Aldridge Jill Attenborough Alison Brown Anthony Carpenter Thomas Carter (Headteacher and Accounting Officer) Joy Chandler Jane Corsham Andrew Cristin (Responsible Officer) Judith Deakin Diane Galloway Andrew Goodwin Walter Hall Richard Horley Michael Nye Jean Patterson Mark Scullin Richard Shepherd John Singh Jason Spencer-Smith Edward Turner Mary Turner
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Senior Leadership Team

Headteacher	Thomas Sherrington (until 31 August 2014) Thomas Carter (Associate Headteacher until 31 August 2014, Acting Headteacher from 1 September 2014 and Headteacher from 1 November 2014)
Deputy Head	Helen Wiltshire (Acting Deputy Headteacher from 1 January 2014 and Deputy Headteacher from 1 September 2014) Mark Barrow (until 31 December 2013)
Business & Finance Manager	Jacqueline Tomkins (until 31 August 2014) Lorraine Purkiss (from 1 September 2014)

Reference and administrative information

Registered address	Broomfield Road Chelmsford Essex CM1 3SX
Company registration number	07563345 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Clydesdale Bank plc Clydesdale Bank Service Centre 2 nd Floor 35 Regent Street Piccadilly Circus London SW1Y 4ND Lloyds Bank Plc Ground Floor 1 Legg Street Chelmsford Essex CM1 1JS
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS

Governors' report Year to 31 August 2014

The Governors of King Edward VI Grammar School, Chelmsford ('KEGS') present their statutory report together with the financial statements of the charitable company for the year to 31 August 2014. The annual report serves the purposes of both a governors' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 26 to 29 of the attached financial statements and comply with the School's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" ('SORP 2005').

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

King Edward VI Grammar School, Chelmsford is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the academy trust.

The governors act as the trustees for the charitable activities of King Edward VI Grammar School, Chelmsford and are also the directors of the charitable company for the purposes of company law. The charitable company is known as King Edward VI Grammar School, Chelmsford.

Details of the governors who served throughout the year except as noted are set out on page 4.

Members' liability

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

Governors' indemnities

In accordance with normal commercial practise the School has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £5,000,000 (2013 - £5,000,000) on any one claim and the cost for the year ended 31 August 2014 was £1,855 (2013 - £1,855).

Principal activities

The Academy Trust's objects are specifically restricted to the following:

- (a) to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum ("the Academy").

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Principal activities (continued)

- (b) to promote for the benefit of the inhabitants of Chelmsford and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The principal activity of the academy trust is to provide outstanding education for students between the ages of 11 and 18.

Governors

The Governors are directors of the charitable company for the purposes of the Companies Act 2006. The following trustees were in office at 31 August 2014 and served throughout the year except where shown.

Governor	Appointed/Resigned	
Spencer Wilcox (Chair of Governors)		Community Governor *
John Aldridge	Appointed on 5 June 2014	Foundation Governor *
Christine Aldridge		Foundation Governor
Jill Attenborough		Parent Governor
Alison Brown		Staff Governor
Anthony Carpenter		Foundation Governor *
Joy Chandler	Appointed on 8 July 2014	Staff Governor
Jane Corsham		Parent Governor
Andrew Cristin		Parent Governor
Judith Deakin		Local Authority Governor
Diane Galloway		Co-opted Governor
Andrew Goodwin		Parent Governor
Walter Hall		Foundation Governor*
Mark Harding	Resigned on 2 May 2014	Staff Governor*
Michael Nye		Co-opted Governor *
Jean Patterson		Foundation Governor *
Leslie Retford	Resigned on 31 December 2013	Foundation Governor
Gurjit Sandhu	Resigned on 17 January 2014	Parent Governor
Mark Scullin	Appointed on 18 July 2014	Staff Governor
Richard Shepherd	Appointed on 17 January 2014	Parent Governor
Thomas Sherrington (Headteacher until 31 August 2014)	Resigned on 31 August 2014	Ex-officio Governor *
John Singh		Parent Governor
Ram Tiwari		Parent Governor*
Edward Turner		Community Governor *
Mary Turner		Community Governor
Katie Weiner	Resigned on 18 July 2014	Staff Governor

* Member of the Finance and Premises Committee

Subsequent to the year end: Thomas Carter was appointed as Acting Headteacher on 1 September 2014 and appointed Headteacher from 1 November 2014; Ram Tiwari resigned as a Parent Governor on 2 October 2014; Richard Horley was appointed as co-opted governor on 25 September 2014; and Jason Spencer-Smith was appointed as parent governor on 17 November 2014.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Method of recruitment and appointment or election of Governors

The number of Governors shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum. Governors are appointed as follows (details have been extracted from the Articles of Association):

- ◆ The Members may appoint 3 Community Governors through such process as they may determine.
- ◆ 3 Staff Governors, two of whom shall be teachers and one of whom shall be a member of the support staff, shall be elected by the teaching and support staff at the Academy. A Staff Governor must be employed by the Academy Trust at the time when he/she is elected. The total number of Governors (including the Headteacher) who are employees of the School shall not exceed one third of the total number of Governors.
- ◆ The total number of Governors (including the Headteacher) who are employees of the Academy Trust shall not exceed one third of the total number of Governors.
- ◆ The LA may appoint the LA Governor.
- ◆ The Headteacher shall be treated for all purposes as being an ex officio Governor.
- ◆ At least 2 and up to 7 Parent Governors shall be elected by parents of registered pupils at the Academy. A Parent Governor must be a parent of a pupil at the Academy at the time when he is elected.
- ◆ The KEGS Foundation (see 'Connected Organisations, including related party relationships' section) may appoint up to 5 Foundation Governors.
- ◆ The Governors may appoint up to 3 Co-opted Governors. A 'Co-opted Governor' means a person who is appointed to be a Governor by being Co-opted by Governors who have not themselves been so appointed. The Governors may not co-opt an employee of the Academy Trust as a Co-opted Governor if thereby the number of Governors who are employees of the Academy Trust would exceed one third of the total number of Governors (including the Head Teacher).

Policies and procedures adopted for the induction and training of Governors

We expect all Governors to undertake training as appropriate to their work at the School. New Governors will be provided with an induction programme delivered partly in-house and partly through external sources as required. A log is kept of all Governor training and reviewed on a regular basis at Governor meetings.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure

The Governors determine the general policy of the School. The day to day running of the School is delegated to the Head, supported by senior staff. The Headteacher undertakes the key leadership role overseeing educational, pastoral and administrative functions in consultation with the senior staff. The day to day administration is undertaken within the policies and procedures approved by the Governors which provide for only significant expenditure decisions and major capital projects to be referred to the Governors for prior approval.

The Headteacher is an ex-officio Governor, Principal Accounting Officer and attends all meetings. The Business and Finance Manager is invited to attend Governors' meetings as appropriate.

The School has the following organisational structure:

- Level 1:** Academy Trust (Members)
- Level 2:** Management Governors (Directors/Trustees)
- Level 3:** A committee of the Management Governors
- Level 4:** The Accounting Officer (Headteacher)

Connected organisations, including related party relationships

The KEGS Foundation (Charity Registration Number 310861)

The organisation is the freehold landlord of the School's land and buildings. They appoint five members of the Governing Body (Directors) of the School and play an active role in the life of the School. The Foundation provides a Bursary Fund and funds the KEGS Essay Prizes and other annual prizes. In the past the Foundation has played a role generating financial support for capital and other projects and other projects on behalf of the School.

CSSE

KEGS is a founding member of The Consortium of Selective Schools in Essex (CSSE). The primary purpose of CSSE is to coordinate selective admissions in the area with all member schools using the same testing procedures.

CSI

KEGS is a member of the Consortium for School Improvement (CSI). This is a collection of ten schools in Essex working together to support school improvement.

Teaching School Alliance

KEGS is a named member of the Teaching School Alliances operated through Billericay School and Saffron Walden County High School and of the Chelmsford Teaching School Alliance (CTSA).

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Connected organisations, including related party relationships (continued)

MESH

KEGS is a member of the Mid Essex Secondary Heads (MESH) branch of the Essex Association of Secondary Heads in Essex which engages in a range of brokering activities for school to school support.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the Charitable Company is the operation of King Edward VI Grammar School, Chelmsford to provide outstanding education for students between the ages of 11 and 18.

In accordance with the Articles of Association, the Charitable Company has adopted a 'Scheme of Government' approved by the Secretary of State for Education. The Scheme of Government specifies a range of things identifying admission arrangements, provision of special educational needs and guidelines for the curriculum offered by the School.

The main objectives of King Edward VI Grammar School, Chelmsford during the year ended 31 August 2014 are summarised below:

- ◆ Our core purpose is to nurture all of our students as uniquely talented individuals and principled global citizens, maximising their academic outcomes, the scope of their personal development and their capacity to be independent, autonomous learners.
- ◆ Our headline goal for examination outcomes was to reach 90% A*-B at A level and 90% A*/A at GCSE.

Objectives, strategies and activities

The School's main objectives for the year were as follows:

Deep learning

- ◆ To focus on 'Personal Learning Journey' in the KEGS Teaching and Learning Position statement to ensure that differentiation is more explicit and that all students have opportunities to engage in extended learning projects.
- ◆ To pilot individual student use of portable devices within lessons to further develop independent learning and research skills.
- ◆ To maintain outstanding standards of behaviour in order that behaviour never impedes learning.

OBJECTIVES AND ACTIVITIES (continued)

Objectives, strategies and activities (continued)

Continued professional development

- ◆ To develop a longitudinal in-house KEGS framework for lesson observation with departmental variants.
- ◆ To provide further opportunity for whole staff engagement in research informed professional development both within and beyond the school to further develop all staff as learners and learning and teaching for all students.

Deep support

- ◆ To embed current support structures by further enhancing individual care, one-to-one guidance and interview cards for every student.
- ◆ To continue to provide outstanding Careers Information and Guidance in light of new statutory duties.

Systems

- ◆ To sustain a secure financial framework to ensure outstanding learning and teaching opportunities and school facilities are sustained for students and staff.
- ◆ To increase the visibility of KEGS in Chelmsford & the surrounding areas by hosting a growing, cutting edge and sought after event.
- ◆ To engender greater care of the school site.
- ◆ To become a more sustainable school through a range of actions, led by students and Governors.

The main charitable activities focused on three charities that featured in Charities Week, with all monies raised being donated. We also have an ongoing commitment to work with the charity Hand in Hand to support our Kenyan partner school in Mogonjet.

Public Benefit

The provision of outstanding education at King Edward VI Grammar School, Chelmsford is for public benefit. The Governors have complied with their duty to have due regard to the guidance on public benefit, published by the Charity Commission, in exercising their powers or duties.

STRATEGIC REPORT

Achievements and performance

Review of activities

Examination Results of 2014

The School achieved its highest ever average points score at GCSE (712 per pupil, where an A* equals 58), and an A*/A percentage of 85%. At A level, the A*-B % (excluding General Studies) was 86%, and the average UCAS points per student was 478 (where an A* equals 140). Whilst we are never complacent and always strive for improvement, these results put KEGS amongst the top performing schools in the country.

Capital Projects

This year we have undertaken 1 significant capital project:

- ◆ The completion of the School's Art block. The Block was ready for use on 1 September 2014 and was opened by an alumni, Grayson Perry, on 10 September 2014. It has already added considerably to the life of the School.

Other Achievements

Students at KEGS continue to succeed individually at local and national competitions in sport, Young Enterprise, Science and Maths Olympiads, Engineering and Geography.

The DIGIT Festival, a cutting edge event hosted by us in October 2013, proved a very successful community event, working in partnership with local employers and technology experts.

Key financial performance indicators

The following key financial performance indicators were set by the Governors:

- ◆ Current ratio 2:1
- ◆ Payroll/total income
 - ◇ Teaching 64% +/-1
 - ◇ Support staff 16% +/-1
 - ◇ Total 80% +/-1

The following key financial performance indicators are being considered by the Governors:

- ◆ Diversity of income
- ◆ Margin: Surplus as a % of recurrent income
- ◆ Cash days in hand

STRATEGIC REPORT (continued)

Achievements and performance (continued)

Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the School has adequate resources to continue its 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.

Financial review

Financial report for the year

The majority of the School's funding was provided by the Education Funding Agency (EFA). The School's total incoming resources for the year ended 31 August 2014 amounted to £6,334,267 (2013 - £6,028,265) of which £4,717,176 (2013 - £4,748,293) related to the EFA revenue grant and £917,119 (2014 - £480,353) for EFA capital grants. In addition the School has received other grants of £54,475 (2013 - £100,028). The School held fund balances of £9,062,392 (2013 - £7,916,618) at 31 August 2014 which includes unrestricted funds of £691,878 (2013 - £490,841).

The results for the year are shown on page 23.

Reserves policy

The Governors are aware of the requirement to balance current and future needs. The Governors always aim to get a balanced budget with annual income balancing annual expenditure.

The School's current level of free reserves is £691,878. Anticipating reductions in future funding (from general government cuts and falls in the real value of grants) it is anticipated that the finances of the School will become increasingly tight. In light of this future anticipated additional costs and reducing revenues the Governors have not spent existing contingencies and retained as many funds as possible to support future expenditure. This has been achieved without compromising the quality of education offered to the students.

The pension reserve, which represents the School's share of the Local Government Pension Scheme's (LGPS) assets and liabilities, is in deficit at £862,000 (2013 - £893,000) at 31 August 2014. The deficit is not expected to crystallise in the near future and any cash outflows arising from the deficit will occur over a number of years.

STRATEGIC REPORT (continued)

Financial review (continued)

Investment policy

Principles

The School aims to manage its cash balances to provide for the day-to-day operation whilst investing surplus cash funds to maximise returns.

Purpose

- ◆ To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements;
- ◆ To ensure there is no risk of loss in the capital value of any cash funds invested;
- ◆ To optimise returns on invested funds.

Guidelines

- ◆ The Business and Finance Manager will regularly monitor cash flow and current account balances to ensure that the current account has adequate balances to meet forthcoming commitments.
- ◆ The School will look to have a current ratio of no less than 2:1 to ensure its ability to meet short term liabilities as they become due.
- ◆ The School will not go overdrawn.
- ◆ Through monitoring cash flow and the current ratio, the Business and Finance Manager will identify funds surplus to immediate cash requirements and transfer them to the 30 day deposit account bearing a higher interest rate.
- ◆ If the Business and Finance Manager identifies an opportunity to invest for a longer period these may be deposited for a longer term.
- ◆ Investment opportunities exceeding 90 days must be discussed and agreed with the Finance and Premises Committee Chairman before investment.
- ◆ Periodically the Business and Finance Manager will review interest rates and compare them with other investment opportunities and report the findings to the Finance and Premises Committee.
- ◆ The School's current policy is to only invest funds in risk free and short term investments.
- ◆ The School's policy is to invest no more than £100k with an institution other than its main bankers.
- ◆ Any change in Policy requires the approval of Full Governing Body via the Finance and Premises Committee.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Governing Body identify, assess and mitigate risk both for the School and as a whole and its operations. A Risk Register is in place which is subject to regular review and made available to all staff. Key members of staff and governors are involved in the preparation of the Risk Register. All members of staff are aware of the risk management policy and the controls in place to limit exposure to risk.

The School's principal risks have been identified and there is a risk register in place to mitigate these risks. The risks fall into the following classifications: compliance, financial, operational, and strategic and reputational.

The key risks are assessed as:

- ◆ Revenue risk arising from fluctuations in Government Funding determined at government level;
- ◆ Curriculum change due to Exam Board and syllabus changes;
- ◆ Cost increases arising from costs outside our direct control – eg pensions and PAYE.

PLANS FOR FUTURE PERIODS

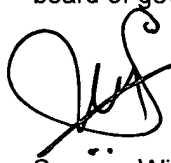
We have completed a comprehensive vision building exercise, the outcomes from which are published on the Academy website. We plan to work on a range of initiatives which will allow us to build towards 2020.

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 steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Governors' report, incorporating a strategic report, approved by order of the members of the board of governors on 11 December 2014 and signed on its behalf by:



Spencer Wilcox
Chair of Governors

Date: 11 December 2014

Governance statement 31 August 2014

Scope of responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that King Edward VI Grammar School, Chelmsford 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 Thomas Carter, Headteacher, 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 King Edward VI Grammar School, Chelmsford and the Secretary of State for Education. The Headteacher 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 seven times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Governor	Governor type	Number of meetings attended	Out of a possible
Christine Aldridge	Foundation	7	7
John Aldridge	Foundation from 05/06/2014	1	1
Jill Attenborough	Parent	6	7
Alison Brown	Staff	7	7
Anthony Carpenter	Foundation	6	7
Joy Chandler	Staff from 08/07/2014	1	1
Jane Corsham	Parent	5	7
Andrew Cristin	Parent	5	7
Judith Deakin	LA	3	7
Diane Galloway	Co-Opted	6	7
Andrew Goodwin	Parent	6	7
Walter Hall	Foundation from	6	7
Mark Harding	Staff to 02/05/2104	5	5
Michael Nye	Co-Opted	5	7
Jean Patterson	Foundation	6	7
Leslie Retford	Foundation	2	2
Gurjit Sandhu	Parent to 17/01/2014	2	2
Mark Scullin	Staff from 18/07/2014	0	0
Richard Shepherd	Parent from 17/01/2014	5	5
Thomas Sherrington	Headteacher and Accounting Officer to 31/08/2014	7	7
John Singh	Parent	6	7
Ram Tiwari	Parent	3	7
Edward Turner	Community	6	7
Mary Turner	Community	6	7
Katie Weiner	Staff to 18/07/2014	6	7
Spencer Wilcox (Chair of Governors)	Community	5	7

Governance statement 31 August 2014

Governance (continued)

Governance Reviews

Since the financial year end, Price Bailey LLP have undertaken, at our request, a review of governance of the various Boards and Committees within the Academy. An action plan has been created and agreed in November 2014 and we are in the process of implementing the recommendations made over the year to 31 August 2015.

The Finance and Premises Committee is a sub-committee of the main Governing Body. Its purpose is to fulfil the following responsibilities:

- ◆ the initial review and recommendation of the annual budget;
- ◆ the regular monitoring of actual expenditure and income against budget;
- ◆ ensuring the annual financial statements are produced in accordance with the requirements of the Companies Act 2006 and the DFE guidance issued to academies;
- ◆ authorising changes to the School personnel establishment following recommendations from the Personnel Committee; and
- ◆ reviewing the reports of the Responsible Officer on the effectiveness of the financial procedures and controls. These reports must also be reported to the full Governing Body.

Attendance at meetings in the year was as follows:

Governor	Governor type	Number of meetings attended	Out of a possible
Anthony Carpenter	Foundation	3	3
Andrew Cristin	Parent and Responsible Officer	3	3
Walter Hall	Foundation	3	3
Mark Harding	Staff to 02/05/2014	0	1
Michael Nye (Chair of F&P)	Co-Opted	3	3
Jean Patterson	Foundation	3	3
Leslie Retford	Foundation to 31/12/2013	0	1
Thomas Sherrington	Headteacher Ex-Officio to 31/08/2014	2	3
Ram Tiwari	Parent	2	3
Edward Turner	Community	2	3
Spencer Wilcox	Community	3	3

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the School'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 at King Edward VI Grammar School, Chelmsford for the year ended 31 August 2014 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 School 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 ongoing process for identifying, evaluating and managing the School's significant risks that have been in place for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

The risk and control framework

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

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body;
- ◆ regular reviews by the Finance and Premises 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 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 Mr A Cristin, a Governor, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the School's financial systems. On a quarterly basis, the RO reports to the Governors on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

Governance statement 31 August 2014

Review of effectiveness

As Accounting Officer, the Headteacher 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 School Business and Finance Manager within the School who has 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 by the Finance and Premises Committee and a plan to ensure continuous improvement of the system is in place.

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



Spencer Wilcox
Chair of Governors



Thomas Carter
Accounting Officer

Approved on: 11 December 2014

Statement on regularity, propriety and compliance 31 August 2014

As Accounting Officer of King Edward VI Grammar School, Chelmsford, I have considered my responsibility to notify the academy trust 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 trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy trust 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 or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of governors and EFA.



Thomas Carter
Accounting Officer

Date: 11 December 2014

Statement of Governors' responsibilities 31 August 2014

The Governors (who act as trustees for the charitable activities of the School and are also the directors of the Academy for the purposes of company law) are responsible for preparing the Governors' report and the financial statements in accordance with the Annual Accounts Direction published 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 School 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' Statement of Recommended Practice (the Charities' SORP);
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the School will continue in operation.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the School's transactions and disclose with reasonable accuracy at any time the financial position of the School 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 School 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 School 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 School'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 11 December 2014 and signed on its behalf by:



Spencer Wilcox
Chair of Governors

Date:

Independent auditor's report on the financial statements 31 August 2014

Independent auditor's report on the financial statements to the members of King Edward VI Grammar School, Chelmsford

We have audited the financial statements of King Edward VI Grammar School, Chelmsford for the year ended 31 August 2014 which comprise the statement of financial activities, the balance sheet, the cash flow statement, the principal accounting policies 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 Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditor

The Governors act as trustees for the charitable activities of King Edward VI Grammar School, Chelmsford and are also the directors of the charitable company for the purpose of company law.

As explained more fully in the statement of Governors' responsibilities set out in the Governors' report, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' report, including the strategic report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report on the financial statements 31 August 2014

Opinion

In our opinion:

- ♦ the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ♦ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ♦ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ♦ the financial statements have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

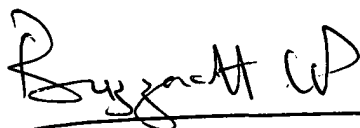
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Report, including the Strategic Report, for the financial year 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 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' remuneration specified by law are not made; or
- ♦ we have not received all the information and explanations we require for our audit.



Avnish Savjani, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

16 December 2014

Independent reporting accountant's report on regularity 31 August 2014

Independent reporting accountant's assurance report on regularity to King Edward VI Grammar School, Chelmsford and the Education Funding Agency

In accordance with the terms of our engagement letter dated 30 July 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by King Edward VI Grammar School, Chelmsford during the year ended 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to King Edward VI Grammar School, Chelmsford 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 Edward VI Grammar School, Chelmsford 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 Edward VI Grammar School, Chelmsford and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of King Edward VI Grammar School, Chelmsford's accounting officer and the reporting accountant

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

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

Approach

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

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

Independent reporting accountant's report on regularity 31 August 2014

Approach (continued)

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

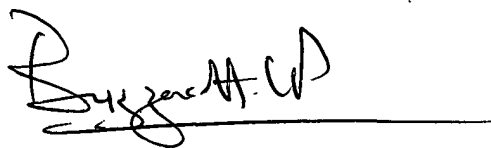
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the academy trust's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

16 December 2014

Statement of financial activities Year to 31 August 2014
(incorporating the income and expenditure account)

		Unrestricted general fund £	Restricted funds			2014 Total funds £	2013 Total funds £
	Notes	£	EFA £	Other £	Fixed assets fund £	£	£
Incoming resources							
Incoming resources from generated funds							
· Voluntary income	1	139,097	—	—	—	139,097	77,727
· Activities for generating funds	2	501,091	—	—	—	501,091	444,523
· Investment income	3	5,309	—	—	—	5,309	4,214
Incoming resources from charitable activities							
· Funding for the School's educational operations	4	—	4,717,176	54,475	917,119	5,688,770	5,328,674
Other income		—	—	—	—	—	173,127
Total incoming resources		645,497	4,717,176	54,475	917,119	6,334,267	6,028,265
Resources expended							
Charitable activities							
· School's educational operations	6	356,621	4,696,927	—	227,995	5,281,543	5,736,106
Governance costs	7	—	14,950	—	—	14,950	15,850
Total resources expended	5	356,621	4,711,877	—	227,995	5,296,493	5,751,956
Net incoming resources before transfers		288,876	5,299	54,475	689,124	1,037,774	276,309
Gross transfers between funds	14	(87,839)	—	—	87,839	—	—
Net income for the year		201,037	5,299	54,475	776,963	1,037,774	276,309
Other recognised gains and losses							
Actuarial gains (losses) on defined benefit pension scheme	23	—	108,000	—	—	108,000	(45,000)
Net movement in funds		201,037	113,299	54,475	776,963	1,145,774	231,309
Reconciliation of funds							
Fund balances brought forward at 1 September 2013		490,841	(834,323)	23,884	8,236,216	7,916,618	7,685,309
Fund balances carried forward at 31 August 2014		691,878	(721,024)	78,359	9,013,179	9,062,392	7,916,618

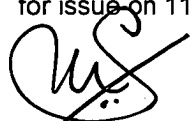
All of the School's activities derive from continuing operations during the above two financial periods.

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

Balance sheet 31 August 2014

	Notes	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible fixed assets	11		9,013,179		7,965,895
Current assets					
Debtors	12	77,529		56,820	
Cash at bank and in hand		1,237,007		1,114,342	
		<u>1,314,536</u>		<u>1,171,162</u>	
Creditors: amounts falling due within one year	13	<u>(403,323)</u>		<u>(327,439)</u>	
Net current assets			<u>911,213</u>		<u>843,723</u>
Net assets excluding pension scheme liability			<u>9,924,392</u>		<u>8,809,618</u>
Pension scheme liability	23		(862,000)		(893,000)
Net assets including pension scheme liability			<u>9,062,392</u>		<u>7,916,618</u>
Funds of the School					
Restricted funds					
. Fixed assets fund	14		9,013,179		8,236,216
. EFA fund	14		219,335		58,677
. Pension reserve	14		(862,000)		(893,000)
. Other funds	14		—		23,884
			<u>8,370,514</u>		<u>7,425,777</u>
Unrestricted funds					
. General fund			691,878		490,841
Total funds			<u>9,062,392</u>		<u>7,916,618</u>

The financial statements on page 23 to 44 were approved by the Governors, and authorised for issue on 11 December 2014 and are signed on their behalf by:



Spencer Wilcox
Chair of Governors

King Edward VI Grammar School, Chelmsford
Company Limited by Guarantee
Registration Number: 07563345 (England and Wales)

Cash flow statement 31 August 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	18	475,516	426,070
Returns on investment and servicing of finance	19	5,309	4,214
Capital expenditure and financial investment	20	(358,160)	238,945
Increase in cash in the year	21	122,665	669,229
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2013		1,114,342	445,113
Net funds at 31 August 2014		1,237,007	1,114,342

Principal accounting policies 31 August 2014

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, 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 School has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the year 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 in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Donations

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

Other income

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

Principal accounting policies 31 August 2014

Incoming Resources (continued)

Donated Services and Gifts in kind

The value of donated services and gifts in kind provided to King Edward VI Grammar School, Chelmsford are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the School 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 School's policy.

Resources Expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of 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.

Charitable activities

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

Governance costs

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and 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 School's depreciation policy.

Principal accounting policies 31 August 2014

Tangible Fixed Assets (continued)

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life, as follows:

♦ Leasehold buildings	2% per annum
♦ Furniture and equipment	25% per annum
♦ Computer equipment	33.3% per annum

Depreciation is charged from the month of acquisition.

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 a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Leased Assets

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

Taxation

The School 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 School is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the School are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, and the assets are held separately from those of the School.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School 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 23, the TPS is a multi employer scheme and the School 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 School 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.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the School at the discretion of the Governors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted EFA funds comprise all other grants received from the Education Funding Agency.

Restricted other funds comprise all other restricted funds received and include grants from the Local Authority, Essex County Council.

Notes to the Financial Statements 31 August 2014

1 Voluntary income

	Unrestricted funds £	Restricted funds £	2014 Total funds £	2013 Total funds £
Appeal fund	—	—	—	41,533
Other donations	139,097	—	139,097	36,194
	<u>139,097</u>	<u>—</u>	<u>139,097</u>	<u>77,727</u>

2 Activities for generating funds

	Unrestricted funds £	Restricted funds £	2014 Total funds £	2013 Total funds £
Hire of facilities	52,605	—	52,605	54,130
Catering income	256,578	—	256,578	234,671
Consultancy fees	10,149	—	10,149	13,036
School trips	108,921	—	108,921	105,468
Music tuition	45,706	—	45,706	37,218
Examination resit service	22,025	—	22,025	—
Other income	5,107	—	5,107	—
	<u>501,091</u>	<u>—</u>	<u>501,091</u>	<u>444,523</u>

3 Investment income

	Unrestricted funds £	Restricted funds £	2014 Total funds £	2013 Total funds £
Interest receivable	5,309	—	5,309	4,214

Notes to the Financial Statements 31 August 2014

4 Funding for the School's educational operations

	Unrestricted funds £	Restricted funds £	2014 Total funds £	2013 Total funds £
DfE / EFA capital grant				
. EFA capital grants	—	917,119	917,119	480,353
DfE / EFA revenue grant				
. General Annual Grant (GAG)	—	4,687,855	4,687,855	4,709,285
. Other EFA Grants	—	29,321	29,321	39,008
	—	4,717,176	4,717,176	4,748,293
Other government grants				
. Local authority grants	—	54,475	54,475	100,028
	—	5,688,770	5,688,770	5,328,674

5 Resources expended

	Staff costs £	Non pay expenditure		2014 Total funds £	2013 Total funds £
		Premises £	Other costs £		
Charitable activities					
. School's educational operations					
.. Direct costs	3,243,788	227,996	233,884	3,705,668	4,042,810
.. Allocated support costs	617,873	239,655	718,347	1,575,875	1,693,296
	3,861,661	467,651	952,231	5,281,543	5,736,106
Governance costs	—	—	14,950	14,950	15,850
	3,861,661	467,651	967,181	5,296,493	5,751,956

	2014 £	2013 £
Net income for the year includes:		
Operating leases	24,547	24,547
Fees payable to auditor		
. Statutory audit	8,650	8,500
. Other services		
.. Current year	3,600	3,500
.. Prior year	2,700	3,850

Notes to the Financial Statements 31 August 2014

6 Charitable activities - School's educational operations

	2014 Total funds £	2013 Total funds £
Direct costs		
Teaching and educational support staff costs	3,243,788	3,304,623
Educational supplies	70,172	125,120
Examination fees	154,727	147,885
Depreciation	227,995	210,562
Loss on disposal of fixed assets	—	250,000
Educational consultancy	8,986	3,990
Other direct costs	—	630
	3,705,668	4,042,810
Allocated support costs		
Support staff costs*	617,873	603,207
Catering	155,133	146,727
Recruitment and support	22,708	22,560
Maintenance of premises and equipment	97,311	147,997
Printing and stationery	46,548	20,169
Rent and rates	58,495	44,273
Insurance	42,577	43,142
Transport costs	41,195	36,395
School trips	94,560	135,271
Office overheads	16,313	48,699
Heat and light	83,849	78,420
IT costs	76,694	98,168
Equipment costs	69,578	42,508
Uniform expenditure	—	35,160
Other support costs	109,733	162,600
FRS 17 pension costs	38,000	28,000
Bank interest and charges	5,308	—
	1,575,875	1,693,296
	5,281,543	5,736,106

*Support staff costs include FRS17 charge of £39,000 (2013 – £27,000).

7 Governance costs

	2014 Total funds £	2013 Total funds £
Auditor's remuneration:		
. Audit of financial statements	8,650	8,500
. Other services		
.. Current year	3,600	3,500
.. Prior year	2,700	3,850
	14,950	15,850

Notes to the Financial Statements 31 August 2014

8 Staff

(a) Staff costs

Staff costs during the year were:

	Unrestricted funds £	Restricted funds £	2014 Total funds £	2013 Total funds £
Wages and salaries	93,280	3,119,239	3,212,519	3,238,369
Social security costs	4,631	222,600	227,231	243,299
Pension costs	9,017	409,886	418,903	420,167
	106,928	3,751,725	3,858,653	3,901,835
Supply teacher costs	—	3,008	3,008	5,995
	106,928	3,754,733	3,861,661	3,907,830

(b) Staff numbers

The average numbers of persons (including senior management team) employed by the School during the period expressed as a full time equivalents was as follows:

Charitable activities	2014 No	2013 No
Teachers	53	54
Administration and support	41	40
Management	6	7
	100	101

(c) Higher paid staff

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

	2014 No	2013 No
£60,001 - £70,000	1	2
£90,001 - £100,000	1	1

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 pension contributions for these staff amounted to £22,726 (2013 - £30,311).

Notes to the Financial Statements 31 August 2014

9 Related party transactions - Governors' remuneration and expenses

The Principal and Staff Governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the academy in respect of their role as Governors. The annualised value of Governors' remuneration was as follows:

	2014 £	2013 £
Thomas Sherrington, Headteacher and trustee	£95,000 - £100,000	£95,000 - £100,000
Mark Harding, Staff Governor and trustee	£50,000 - £55,000	£50,000 - £55,000
Alison Brown, Staff Governor and trustee	£45,000 - £50,000	£45,000 - £50,000
Katie Weiner, Staff Governor and trustee	£15,000 - £20,000	£15,000 - £20,000

During the year ended 31 August 2014, £127 (2013 - £778) of travel and subsistence expenses were reimbursed to one Governor (2013 - one) in their capacity as an employee.

Other related party transactions involving the Governors are set out in note 24.

10 Governors' and Officers' insurance

In accordance with normal commercial practice the School has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £5,000,000 (2013 - £5,000,000) on any one claim and the cost for the year ended 31 August 2014 was £1,855 (2013 - £1,855).

11 Tangible fixed assets

	Leasehold land and buildings £	Assets under construction £	Furniture and equipment £	Computer equipment £	Total funds £
Cost/valuation					
At 1 September 2013	8,090,755	107,975	149,860	30,375	8,378,965
Additions	1,201,174	—	47,522	26,583	1,275,279
Transfers	107,975	(107,975)	—	—	—
At 31 August 2014	9,399,904	—	197,382	56,958	9,654,244
Depreciation					
At 1 September 2013	388,786	—	13,352	10,932	413,070
Charge in year	187,475	—	25,084	15,436	227,995
At 31 August 2014	576,261	—	38,436	26,368	641,065
Net book value					
At 31 August 2014	8,823,643	—	158,946	30,590	9,013,179
At 31 August 2013	7,701,969	107,975	136,508	19,443	7,965,895

The land that the School is built on is designated for educational purposes only and therefore has no open market value. It has therefore not been included in the financial statements.

Notes to the Financial Statements 31 August 2014

12 Debtors

	2014 £	2013 £
Trade debtors	21,056	10,764
Prepayments	28,319	20,791
VAT debtor	25,349	23,029
Other debtors and accrued income	2,805	2,236
	77,529	56,820

13 Creditors: amounts falling due within one year

	2014 £	2013 £
Other creditors	269,439	155,516
Accruals and deferred income	133,884	171,923
	403,323	327,439
Deferred income		
Deferred income at 1 September 2013	37,388	16,164
Resources deferred in the year	74,571	37,388
Amounts released from previous periods	(37,388)	(16,164)
Deferred income at 31 August 2014	74,571	37,388

£53,812 (2013 - £37,388) relates to income received in the period for School trips that are taking place in the year ending 31 August 2015.

Notes to the Financial Statements 31 August 2014

14 Funds

	Balance at 1 September 2013 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2014 £
Restricted general funds					
General Annual Grant (GAG)	58,677	4,687,855	(4,527,197)	—	219,335
Other EFA grants	—	29,321	(29,321)	—	—
Pension reserve	(893,000)	—	(77,000)	108,000	(862,000)
	<u>(834,323)</u>	<u>4,717,176</u>	<u>(4,633,518)</u>	<u>108,000</u>	<u>(642,665)</u>
Fixed assets fund					
Academy building and furniture and equipment transferred from The KEGS Foundation (note 24)	7,701,969	—	(185,340)	—	7,516,629
GAG and other grants	534,247	917,119	(42,655)	87,839	1,496,550
	<u>8,236,216</u>	<u>917,119</u>	<u>(227,995)</u>	<u>87,839</u>	<u>9,013,179</u>
Other restricted funds					
Local Authority grants	20,835	54,475	(75,310)	—	—
Other restricted grants	3,049	—	(3,049)	—	—
	<u>23,884</u>	<u>54,475</u>	<u>(78,359)</u>	<u>—</u>	<u>—</u>
Total restricted funds	<u>7,425,777</u>	<u>5,688,770</u>	<u>(4,939,872)</u>	<u>195,839</u>	<u>8,370,514</u>
Unrestricted funds					
Unrestricted funds	490,841	645,497	(356,621)	(87,839)	691,878
Total unrestricted funds	<u>490,841</u>	<u>645,497</u>	<u>(356,621)</u>	<u>(87,839)</u>	<u>691,878</u>
Total funds	<u>7,916,618</u>	<u>6,334,267</u>	<u>(5,296,493)</u>	<u>108,000</u>	<u>9,062,392</u>

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

EFA revenue grant fund and other restricted funds

These grants relate to the School's development and operational activities.

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

Fixed asset fund

These funds have been used to purchase fixed assets.

Pension reserve

The pension reserve relates to the School's share of the deficit of the Essex County Council Local Government Pension Scheme.

Notes to the Financial Statements 31 August 2014

15 Analysis of net assets between fund

	Unrestricted funds £	Restricted General Funds £	Restricted Fixed Asset Fund £	Total 2014 £	Total 2013 £
Fund balances at 31 August 2014 are represented by:					
Tangible fixed assets	—	—	9,013,179	9,013,179	7,965,895
Current assets	720,003	594,533	—	1,314,536	1,171,162
Current liabilities	(28,125)	(375,198)	—	(403,323)	(327,439)
Pension scheme liability	—	(862,000)	—	(862,000)	(893,000)
Total net assets	691,878	(642,665)	9,013,179	9,062,392	7,916,618

16 Capital commitments

	2014 £	2013 £
Contracted for, but not provided in the financial statements	50,000	—
Authorised but not contracted for	—	1,326,262

17 Financial commitments

At 31 August 2014 the academy had annual commitments under non-cancellable leases as follows:

	2014 £	2013 £
Land and buildings		
· Expiring in over five years	20,000	20,000
Other		
· Expiring within one year	907	727
· Expiring within one to two years	2,264	—
· Expiring within two and five years inclusive	324	3,820
	3,495	4,547

Notes to the Financial Statements 31 August 2014

18 Reconciliation of net income to net cash inflow from operating activities

	2014 £	2013 £
Net income	1,037,774	276,309
Depreciation (note 11)	227,995	210,562
Loss on disposal of fixed assets (note 11)	—	250,000
Capital grants from DfE and other capital income (note 4)	(917,119)	(500,353)
Interest receivable (note 3)	(5,309)	(4,214)
FRS 17 pension cost less contributions payable (note 23)	39,000	27,000
FRS 17 pension finance cost (note 23)	38,000	28,000
(Increase) decrease in debtors	(20,709)	2,081
Increase in creditors	75,884	136,685
Net cash inflow from operating activities	475,516	426,070

19 Returns on investment and servicing of finance

	2014 £	2013 £
Interest received	5,309	4,214
Net cash inflow from returns on investment and servicing of finance	5,309	4,214

20 Capital expenditure and financial investment

	2014 £	2013 £
Purchase of tangible fixed assets	(1,275,279)	(261,408)
Capital grants from DfE / EFA	917,119	480,353
Capital funding received from others	—	20,000
Net cash (outflow) inflow from capital expenditure and financial investments	(358,160)	238,945

21 Analysis of changes in net funds

	At 1 September 2013 £	Cashflows £	At 31 August 2014 £
Cash in hand and at bank	1,114,342	122,665	1,237,007

22 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

23 Pension and similar obligations

The School'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 Essex County 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 related to the period ended 31 March 2004 and of the LGPS was at 31 March 2013.

There were no contributions payable to the schemes at 31 August 2014 (2013 – none) included within creditors.

Teachers' Pension Scheme (TPS)

Introduction

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

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

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

23 Pension and similar obligations (continued)

Teachers' Pension Scheme (TPS) (continued)

Valuation of the Teachers' Pension Scheme

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 the 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 for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- ◆ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

Teachers' Pension Scheme Changes

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

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

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

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

Notes to the Financial Statements 31 August 2014

23 Pension and similar obligations (continued)

Teachers' Pension Scheme (TPS) (continued)

Teachers' Pension Scheme Changes (continued)

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

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

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £105,643 (2013 – £109,000), of which employer's contributions totalled £70,617 (2013 – £82,000) and employees' contributions totalled £35,026 (2013 – £27,000).

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.

	At 31 August 2014	At 31 August 2013
Principal Actuarial Assumptions		
Rate of increase in salaries	4.50%	4.70%
Rate of increase for pensions in payment / inflation	2.70%	2.90%
Discount rate for scheme liabilities	3.90%	4.70%
Inflation assumption (CPI)	2.70%	2.90%

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

	At 31 August 2014	At 31 August 2013
<i>Retiring today</i>		
Males	22.7 years	22.7 years
Females	25.1 years	25.3 years
<i>Retiring in 20 years</i>		
Males	24.9 years	24.2 years
Females	27.4 years	26.9 years

Notes to the Financial Statements 31 August 2014

23 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The School's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 August 2014	Fair value at 31 August 2014 £	Expected return at 31 August 2013	Fair value at 31 August 2013 £
Equities	6.1%	313,000	6.6%	219,000
Gilts	3.0%	31,000	3.5%	27,000
Bonds	3.6%	54,000	4.4%	30,000
Property	5.1%	56,000	5.6%	37,000
Cash	2.9%	14,000	0.5%	10,000
Alternative assets	3.6%	19,000	4.4%	13,000
Total market value of assets		487,000		336,000
Present value of scheme liabilities		(1,349,000)		(1,229,000)
Deficit in the scheme		(862,000)		(893,000)

The actual return on scheme assets was £48,000 (2013 – £39,000).

Amounts recognised in statement of financial activities	2014 £	2013 £
Current service costs (net of employee contributions)	148,000	109,000
Total operating charge	148,000	109,000

Analysis of pension finance

Expected return on pension scheme assets	23,000	13,000
Interest on pension liabilities	(61,000)	(41,000)
Pension finance costs	(38,000)	(28,000)

The actuarial gains and losses for the current period are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a loss of £133,000 (2013 – £241,000).

Movements in the overall deficit were as follows:	2014 £	2013 £
At 1 September 2013	(893,000)	(793,000)
Current service cost	(148,000)	(109,000)
Employer contributions	109,000	82,000
Net finance cost	(38,000)	(28,000)
Actuarial gain (loss)	108,000	(45,000)
At 31 August 2014	(862,000)	(893,000)

23 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the present value of defined benefit obligations were as follows:	2014 £	2013 £
At 1 September 2013	1,229,000	1,007,000
Current service costs	148,000	109,000
Interest costs	61,000	41,000
Employee contributions	38,000	27,000
Benefits paid	(36,000)	(25,000)
Actuarial loss	(91,000)	70,000
At 31 August 2014	1,349,000	1,229,000

Movements in the fair value of School's share of scheme assets:	2014 £	2013 £
At 1 September 2013	336,000	214,000
Expected return on assets	23,000	13,000
Actuarial gain	17,000	25,000
Employer contributions	109,000	82,000
Employee contributions	38,000	27,000
Benefits paid	(36,000)	(25,000)
At 31 August 2014	487,000	336,000

The estimated value of the employer contributions for the year ending 31 August 2015 is £102,000 (2014 – £83,000).

The experience adjustments are as follows:

	2014 £	2013 £
Present value of defined benefit obligations	(1,349,000)	(1,229,000)
Fair value of share scheme assets	487,000	336,000
Deficit on the scheme	(862,000)	(893,000)
Experience adjustments on share of scheme assets		
Amount	17,000	25,000
Experience adjustments on scheme liabilities		
Amount	86,000	—

24 Related party transactions

Owing to the nature of the School's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

24 Related party transactions (continued)

The KEGS Foundation (Charity Registration Number 310861) is the freehold landlord of the School's land and buildings and the School has been granted a 125 year lease for the site. The Foundation appoints five members of the Governing Body (Directors) of the School and play an active role in the life of the School. The Foundation provides a Bursary Fund and funds the KEGS Essay Prizes and other annual prizes. In the past, and potentially in the future, the Foundation has played a role generating financial support for capital and other projects on behalf of the School.