

Registration number: 7804282

# Kents Hill Junior School

(A company limited by guarantee)

Annual Report and Financial Statements

for the period from 1 November 2011 to 31 August 2012

MWS  
Chartered Accountants and Statutory Auditors  
601 London Road  
Westcliff-on-Sea  
Essex  
SS0 9PE

# **Kents Hill Junior School**

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## **Kents Hill Junior School**

### **Reference and Administrative Details**

<b>Governors and Trustees (Directors)</b>	Mr S Taylor, * Ms I Mead, *
* Members of the Finance Committee	Mr J McGlynn, * Mr M Bates, * (appointed 1 November 2011) Mrs T Tarr (appointed 1 November 2011) Mrs D Turrell (appointed 1 November 2011) Mrs J Frost (appointed 1 November 2011) Mr C Wright (appointed 1 November 2011) Mrs T Cawcutt (appointed 1 November 2011) Miss W Maslin (appointed 1 November 2011 and resigned 30 May 2012) Mr D Jackson (appointed 1 November 2011) Mr M Thomas, Principal and accounting officer * (appointed 1 November 2011)
<b>Company Secretary</b>	Mrs C Clarke
<b>Senior Management Team</b>	Mr M Thomas, Headteacher Mrs T Cawcutt, Assistant Headteacher Mrs V Gigg, Deputy Headteacher
<b>Principal and Registered Office</b>	Mr M Thomas Kents Hill Road Benfleet Essex SS7 5PS
<b>Company Registration Number</b>	7804282
<b>Auditors</b>	MWS Chartered Accountants and Statutory Auditors 601 London Road Westcliff-on-Sea Essex SS0 9PE
<b>Bankers</b>	Lloyds TSB 1 Legg Street Chelmsford Essex CM1 1JS

## **Kents Hill Junior School**

### **Governors' Report for the period from 1 November 2011 to 31 August 2012**

The governors present their annual report together with the financial statements and auditors' report of the charitable company for the period ended 31 August 2012.

#### **Discussion on conversion to academy trust**

On 1st November 2011 the Kents Hill Junior School converted to academy trust status under the Academies Act 2010 and all the operations assets and liabilities were transferred to Kents Hill Junior School Academy Trust from the Local Authority for £Nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

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

##### **Constitution**

The Academy Trust is a company limited by guarantee and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The company registration number is 7804282.

The governors act as the trustees for the charitable activities of Kents Hill Junior School and are also the directors of the charitable company for the purposes of company law.

Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

##### **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.

##### **Governors' indemnities**

The Academy through its Articles has indemnified its Governors to the fullest extent permissible by law. During the period the Academy also purchased and maintained liability insurance for its Governors.

##### **Principal activities**

At Kents Hill Junior School our commitment is for all children to become responsible, independent learners who are actively engaged in the next steps of their learning and able to use their knowledge and skills in all areas of their life. We promote a safe, respectful and supportive environment to facilitate exciting, challenging learning. Everyone is encouraged to recognise and value their own achievements and those of others. It is our expectation that all individuals will be polite and friendly, with an approachable and respectful attitude.

We provide purposeful learning through contexts that are meaningful to children, related to real life situations whenever possible. A respect for learning is cultivated through a variety of visually pleasing, welcoming and stimulating areas, for both work and play.

We believe strongly that the success of our school depends upon children, parents, carers, staff, governors and members of the local and wider communities working effectively together, sharing interests, skills and knowledge.

## **Kents Hill Junior School**

### **Governors' Report for the period from 1 November 2011 to 31 August 2012**

#### **Method of recruitment and appointment or election of Governors**

The Chair and Vice-Chair of governors regularly review and recommend the mix of skills that should be available to the board. New governors are then sought who can bring any missing skills, either as additional governors or replacements when existing governors stand down. It is anticipated that the great majority of new governors will be drawn from the local community being either parents or guardians of pupils at the Academy or others who have shown an interest in the future wellbeing of the Academy and its pupils. Recruitment is therefore likely to be through a combination of approaches to individuals with known skills and by wider communication to those within the local area.

New Governors will be appointed to the board by the existing governors until the date of the next Annual General Meeting, at which time they are eligible for re-election for a period of four years. At the end of a four year term, retiring governors are eligible for re-election for a further term.

The governors regularly arrange and attend in-house training based on areas of potential interest and/or concern. Individual governors attend training courses and conferences organised by various providers to ensure their personal development, knowledge and understanding is fully up to date.

#### **Organisational structure**

The governors have responsibility for setting and monitoring the overall strategic direction of the Charitable Company, approving decisions reserved to governors and appointing key members of staff.

The governors meet at least once a term and all decisions reserved to the governors are taken by the board as a whole. The agenda includes standing items, finance, curriculum, health & Safety and safeguarding.

Mrs Iris Mead is the Responsible Officer and as such has an oversight role in relation to the systems and processes of control and risk management that operate throughout the academy. She is supported by Essex County Council's responsible officer service in her task.

The Headteacher is the Principal Accounting Officer and works closely with both the other governors and the senior staff of Kents Hill Junior School.

The day to day management of Kents Hill rests with the Headteacher who has overall responsibility for the school. The Headteacher is responsible for establishing a Senior Leadership Team, including the Business Manager, Deputy Headteacher and Assistant Headteacher.

#### Full Governing Body Structure

Chair of Governors

Vice Chair of Governors

Head Teacher

Parent Governors x 5

Staff Governor x 2

Community Governors x 2

#### Finance Committee Structure

Chair of Finance Committee

Vice Chair of Finance Committee

Head Teacher

Parent Governors \*2

#### Core Monitoring Group

Chair of Governors

Governors from FGB \*3

## **Kents Hill Junior School**

### **Governors' Report for the period from 1 November 2011 to 31 August 2012**

#### **Risk management**

The Headteacher, senior management team and Governors have assessed the major risks to which the academy is exposed and have compiled a risk register which summarises the level of risk, associated control measures including the transfer of risk by using insurance policies. The major risks examined covered the following areas:

- Teaching and Learning
- Facilities
- Operations
- Financial systems and practices

The risk register is reviewed regularly by the Governing body. The academy use systems, procedures and internal controls in order to minimise risk.

## **Kents Hill Junior School**

### **Governors' Report for the period from 1 November 2011 to 31 August 2012**

#### **Objectives and activities**

##### **Objects and aims**

The Academy Trust's objects ("the Objects") are specifically restricted to the following:

- 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").

The Governor's vision is to be outstanding in all we do. Our school vision, ethos and values are broken down into four main headings:

- Learning – Our pupils are given the tools to ensure that they will become life-long learners. Each individual lesson contains the key elements needed to make it relevant, challenging and exciting.
- Friendship – Our pupils have built positive relationships across the school, local community and internationally. Our Play Leaders, School Councillors, Prefects and the Head Boy and Girl are all strong role models to the younger children.
- Safety and Well Being – Pupils thrive in a calm and safe environment which promotes the rights and responsibilities of individuals. Our pastoral system is very successful at helping pupils through personal issues.
- Success – The school has a fantastic track record of high achievement. Recent OFSTED reports have commended the quality of the teaching and the rapid progress made by all pupils.

The particular aims of the Academy during the period ended 31 August 2012 were:

- To continue to raise the standard of educational attainment and achievement of all students.
- To continue to provide a broad and balanced curriculum, including extra-curricular and enrichment activities.
- To develop learners as effective and independent learners.
- To develop the Academy sites to support students to achieve their full potential.
- To ensure that every student enjoys the same high quality of education in terms of resourcing, teaching and care.
- To continue to improve the effectiveness of the Academy by continual review of the curriculum and organisational structure.
- To achieve value for money for the funds expended.
- To develop the Academy's capacity to manage change, and
- To conduct the Academy's business in accordance with the highest standards of integrity, probity and openness.

##### **Public benefit**

The Academy provides educational services to children between the ages 7 - 11 in the local area. The Governors confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance provided by the Charity Commission.

##### **Achievements and performance**

English	Level 4+	91.6%
	Level 5+	37.3%
	Achieving 2 levels progress	80.7%
	APS KS1 to KS2	11.4

## Kents Hill Junior School

### Governors' Report for the period from 1 November 2011 to 31 August 2012

Reading	Level 4+	92%
	Level 5+	42%
	Achieving 2 levels progress	71.5%
	APS KS1 to KS2	11.5
Maths	Level 4+	88%
	Level 5+	35%
	Achieving 2 levels progress	85.5%
	APS KS1 to KS2	11.6
Writing	Level 4+	89%
	Level 5+	25%
	Achieving 2 levels progress	81.9%
	APS KS1 to KS2	11.3
Combined English and Maths	Level 4+	89.3%
	Level 5+	49.3%

#### Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy Trust 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.

#### Financial review

The Academy incorporated on 10th October 2011, operations began on 1st November 2011 and the accounting period runs to 31st August 2012.

Most of the academies income is derived from the Young Peoples Learning Agency (YPLA) which became the Education Funding Agency (EFA) in 2012. The income is in the form of recurrent grants, of which the use is restricted to particular purposes. These grants and the associated expenditure are shown as restricted funds in the statement of financial activities.

The academy also receives grants for capital expenditure from the EFA. A small amount of income is generated by the academy from lettings and catering and this income is shown as unrestricted in the accounts.

The main investments in the first accounting period were on:

- Grounds improvement for safety and security reasons.
- Continued provision of quality teaching and support staff.
- The implementation of a new curriculum.

## **Kents Hill Junior School**

### **Governors' Report for the period from 1 November 2011 to 31 August 2012**

#### **Reserves policy**

The Governors' policy is to generate reserves to provide funds to continue to enhance the educational facilities and services of the school and to fund future projects. The Governors intend to review the reserves policy annually to ensure that this aim can be achieved.

At the balance sheet date, the charitable company had restricted fixed asset reserves of £5,645,325, restricted general reserves of £5,794 (excluding pension liability), a restricted pension fund deficit of £(159,000) and unrestricted general reserves of £170,448. The Governors intend to utilise the unrestricted reserves and restricted general reserves in the near future in line with the objectives of the School Development and premises plan.

Due to the inclusion of the Local Government Pension Scheme (LGPS) deficit, the restricted general funds are in deficit at the year end. However, this does not mean that an immediate liability for this commitment has crystallised. This deficit has resulted in an increase in the employers' pension contributions over a period of years. The Academy Trust will revisit its business plan and budget to ascertain how this additional cost might affect their future funds.

#### **Investment policy**

Kents Hill Junior School Academy does not make financial investments other than enhancements to the school building.

#### **Plans for future periods**

Our long term strategic role is to become a consistently outstanding school, to ensure that all our pupils make at least the age related progress, consistently across their journey through the school and across the whole curriculum. Resources will be prioritised so that they are targeted effectively and have demonstrable impact.

Our priorities in the School Development Plan are:

- To achieve the recognition and level 1 of the Rights Respecting Award.
- To embed diamond lesson plan across the curriculum.
- To embed and enhance the learning zone approach.
- To ensure the school meets and reviews the statutory safeguarding requirements.
- To raise the percentage of children achieving level 6 in maths.

#### **Funds held as Custodian Trustee on behalf of others**

Kents Hill Junior School does not hold, and the Governors do not anticipate that it will in the future hold, any funds as custodian for any third party.

#### **Auditor**

In so far as the Members and 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.

#### **Reappointment of auditor**

The auditors MWS are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by order of the members of the on 19 December 2012 and signed on its behalf by:

**Kents Hill Junior School**

**Governors' Report for the period from 1 November 2011 to 31 August 2012**

.....  
Mr S Taylor  
Governor and trustee

.....  
Mr M Thomas  
Principal

# Kents Hill Junior School

## Governance Statement

### Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that Kents Hill Junior School 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 Mr M Thomas, 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 Kents Hill Junior School 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 Governors' Report and in the Statement of Governors' Responsibilities. The full Governing Body has formally met 4 times during the period. Attendance during the period at meetings of the Full Governing Body was as follows:

<b>Governor</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Mr Stewart Taylor (Chair of Governors)	3	4
Mr Jim McGlynn	4	4
Mr Michael Thomas (Head Teacher)	4	4
Mrs Tessa Cawcutt (Assistant Headteacher)	3	4
Mrs Iris Mead	4	4
Mr Colin Wright	2	4
Ms Deborah Turrell	4	4
Mr Darren Jackson	3	4
Mr Mark Bates	3	4
Mrs Janice Frost	4	4
Mrs Tracy Tarr	4	4

## Kents Hill Junior School

### Governance Statement

The Finance Committee is a sub-committee of the main governing body.

#### Structure

A Chairperson is appointed annually at a Full Governing Body meeting.

Membership is at least 4 members, subject to annual review by the Governing Body.

The Headteacher is a member.

The Committee can co-opt up to two people who are not members of the Governing Body.

Co-opted members of the Committee may not vote on any matter.

#### Quorum

The quorum is 3 members, one of whom is the Headteacher or a nominated deputy.

At least two members of the quorum are non-staff.

#### Meetings

The Committee meet termly, prior to Full Governing Body meeting. Additional meetings held as required.

Minutes of all meetings are retained. Copies are circulated to all members of the Governing Body. All minutes are retained within a public minute book and made available upon request to any individual requesting them; an appropriate charge may be made for the reproduction of minutes to cover the cost of administration.

In the absence of the Chairperson at any meeting, the Committee appoint one of the members present to act as Chairperson for that meeting.

The school provides reports for review at all Finance Meetings.

#### Objectives

Ensure school funds are spent appropriately, in line with KHJS Financial Regulations and FMGE.

Advise the Full Governing Body whether to approve KHJS Financial Regulations.

Review and approve the annual budget for expenditure each financial year.

Monitor school financial performance.

Provide guidance to the school on financial matters as required.

Review and approve recommendations on Headteacher pay from Headteacher Performance Panel.

Review Pay and Conditions, and the structure thereof, in accordance with objective 4.1.

#### Delegated Authority

Headteacher determines the salary of all staff employed at the school, excluding their own.

Attendance during the period at meetings of the Finance Committee was as follows:

<b>Governor</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Mr Jim McGlynn (Chair of Finance Committee)	4	4
Mr Stewart Taylor (Chair of Governors)	4	4
Mr Michael Thomas (Head Teacher)	4	4
Mrs Iris Mead	4	4
Mr Mark Bates	3	4
Mrs Clare Clarke	4	4

## **Kents Hill Junior School**

### **Governance Statement**

#### **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 Academy Trust 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 Kents Hill Junior School for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Governing Body has reviewed the key risks to which the Academy Trust 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 Academy Trust's significant risks that has been in place for the period ending 31 August 2012 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 Academy Trust'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 General Purposes 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 I Mead as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a quarterly basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

There were no material control or other issues reported by the RO to date.

#### **Review of effectiveness**

As Accounting Officer, Mr M Thomas has responsibility for reviewing the effectiveness of the system of internal control. During the period 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 the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Kents Hill Junior School**

**Governance Statement**

Approved by order of the members of the Governing Body on 19 December 2012 and signed on its behalf by:

.....  
Mr S Taylor  
Governor and trustee

.....  
Mr M Thomas  
Principal

## **Kents Hill Junior School**

### **Statement on Regularity, Propriety and Compliance**

As accounting officer of Kents Hill Junior School 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.

.....  
Mr M Thomas  
Accounting officer

## Kents Hill Junior School

### Statement of Governors' Responsibilities

The governors (who are the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the governors to prepare financial statements for each financial year. Under company law the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the governors are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and 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 charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The governors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

The governors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board on 19 December 2012 and signed on its behalf by:

.....  
Mr S Taylor  
Governor and trustee

.....  
Mr M Thomas  
Principal

## **Kents Hill Junior School**

### **Independent Auditors' Report to the members of Kents Hill Junior School**

We have audited the financial statements of Kents Hill Junior School for the period from 1 November 2011 to 31 August 2012, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's trustees, 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 charity's trustees 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 its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of governors and auditors**

As explained more fully in the Statement of Governors' 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 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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the 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 its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Annual Accounts Direction issued by the Education Funding Agency; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **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, 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.

**Kents Hill Junior School**

**Independent Auditors' Report to the members of Kents Hill Junior School**

.....  
Jonathan Gorridge FCA (Senior Statutory Auditor)  
For and on behalf of MWS, Statutory Auditor

601 London Road  
Westcliff-on-Sea  
Essex  
SS0 9PE

19 December 2012

## **Kents Hill Junior School**

### **Independent Auditors' Report on Regularity to the Governing Body of Kents Hill Junior School and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 11 May 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies: Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Kents Hill Junior School during the period from 1 November 2011 to 31 August 2012 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 Kents Hill Junior School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Kents Hill Junior School 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 Kents Hill Junior School and the EFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Kents Hill Junior School Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Kents Hill Junior School's funding agreement with the Secretary of State for Education dated 29 July 2011 and the Academies Financial Handbook as published by DfES in 2006, 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 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 November 2011 to 31 August 2012 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 2011/12 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Based on our risk assessment of material non-compliance, we carried out detailed testing of the specific income streams from the EFA, and the related expenditure streams, to which specific conditions had been attached.

## **Kents Hill Junior School**

### **Independent Auditors' Report on Regularity to the Governing Body of Kents Hill Junior School and the Education Funding Agency**

We evaluated the control environment of the Academy Trust, extending the procedures required for the financial statements to include regularity. We tested a sample of the specific control activities over regularity of particular activities. We confirmed that the Academy Trust had not entered into any borrowing arrangements. We carried out substantive testing of fixed assets to confirm that no sales of any assets had taken place. We reviewed cash payments made by the school for any unusual transactions and verified the nature of said transactions. We reviewed the list of suppliers to consider whether any supplies were made by related parties connected to the Principal, Finance Manager or any Governor. We reviewed the nature and terms of any lettings to ensure that any lettings made to any related parties were made at the normal third party rates and not on any favourable terms.

#### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 November 2011 to 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.

.....  
Jonathan Gorridge FCA (Senior Statutory Auditor)  
For and on behalf of MWS, Statutory Auditor

601 London Road  
Westcliff-on-Sea  
Essex  
SS0 9PE

## Kents Hill Junior School

### Statement of Financial Activities for the Period from 1 November 2011 to 31 August 2012 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2012 £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds:</i>					
Voluntary income					
Transfer on conversion	3	99,774	(244,300)	5,746,298	5,601,772
Other voluntary income	3	38,504	-	-	38,504
Activities for generating funds	4	31,983	-	-	31,983
Investment income	5	187	-	-	187
<i>Incoming resources from charitable activities:</i>					
Funding for the Academy's educational operations	6	-	1,016,206	7,780	1,023,986
<b>Total incoming resources</b>		<u>170,448</u>	<u>771,906</u>	<u>5,754,078</u>	<u>6,696,432</u>
<b>Resources expended</b>					
<i>Charitable activities:</i>					
Academy's educational operations	8	-	911,662	175,316	1,086,978
Governance costs	9	-	8,009	-	8,009
<b>Total resources expended</b>	7	<u>-</u>	<u>919,671</u>	<u>175,316</u>	<u>1,094,987</u>
Net incoming/(outgoing) resources before transfers		170,448	(147,765)	5,578,762	5,601,445
Gross transfers between funds	16	<u>-</u>	<u>(79,007)</u>	<u>79,007</u>	<u>-</u>
Net income/(expenditure) for the period		170,448	(226,772)	5,657,769	5,601,445
<b>Other recognised gains and losses</b>					
Actuarial gains on defined benefit pension schemes	24	<u>-</u>	<u>75,416</u>	<u>-</u>	<u>75,416</u>
Net movement in funds/(deficit)		<u>170,448</u>	<u>(151,356)</u>	<u>5,657,769</u>	<u>5,676,861</u>
<b>Reconciliation of funds</b>					
Funds/(deficit) carried forward at 31 August 2012		<u>170,448</u>	<u>(151,356)</u>	<u>5,657,769</u>	<u>5,676,861</u>

**Kents Hill Junior School**

**Statement of Financial Activities for the Period from 1 November 2011 to 31 August  
2012  
(Including Income and Expenditure Account and Statement of Total Recognised Gains  
and Losses)**

All of the Academy's activities derive from acquisitions in the current financial 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.

**Kents Hill Junior School**  
**(Registration number: 7804282)**  
**Balance Sheet as at 31 August 2012**

	Note	31 August 2012 £
<b>Fixed assets</b>		
Tangible assets	13	5,657,770
<b>Current assets</b>		
Debtors	14	13,440
Cash at bank and in hand		<u>273,895</u>
		287,335
Creditors: Amounts falling due within one year	15	<u>(109,244)</u>
Net current assets		<u>178,091</u>
Total assets less current liabilities		<u>5,835,861</u>
Net assets excluding pension liability		5,835,861
Pension scheme liability	24	<u>(159,000)</u>
Net assets including pension liability		<u><u>5,676,861</u></u>
<b>Funds of the Academy:</b>		
<b>Restricted funds</b>		
Restricted general fund	16	7,644
Restricted fixed asset fund	16	5,657,769
Restricted pension fund	16	<u>(159,000)</u>
		5,506,413
<b>Unrestricted funds</b>		
Unrestricted general fund	16	<u>170,448</u>
Total funds		<u><u>5,676,861</u></u>

The financial statements on pages 19 to 42 were approved by the governors, and authorised for issue on 19 December 2012 and signed on their behalf by:

.....  
Mr S Taylor  
Governor and trustee

.....  
Mr M Thomas  
Principal

## Kents Hill Junior School

### Cash Flow Statement for the Period from 1 November 2011 to 31 August 2012

	Note	31 August 2012 £
Net cash inflow from operating activities	19	260,722
Cash transferred on conversion to an academy trust		99,774
Returns on investments and servicing of finance	20	187
Capital expenditure and financial investment	21	<u>(86,788)</u>
Increase in cash in the period	22	<u><u>273,895</u></u>

#### Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	273,895
Net funds at 1 November 2011	<u>-</u>
Net funds at 31 August 2012	<u><u>273,895</u></u>

All of the cash flows are derived from acquisitions in the current financial period.

## **Kents Hill Junior School**

### **Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Annual Accounts Direction issued by the Education Funding Agency and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

##### **Conversion to an academy trust**

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £Nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Kents Hill Junior School to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Kents Hill Junior School. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/net expenditure in the Statement of Financial Activities and analysed under restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in the notes.

##### **Going concern**

The governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

##### **Incoming resources**

All incoming resources are recognised when the Academy Trust 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 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.

##### **Sponsorship income**

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt.

##### **Donations**

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

## **Kents Hill Junior School**

### **Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012**

#### **1 Accounting policies (continued)**

##### **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.

##### **Donated services and gifts in kind**

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust 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 Academy Trust's policies.

##### **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.

All resources expended are inclusive of irrecoverable VAT.

##### **Cost of generating funds**

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

##### **Charitable activities**

These are costs incurred on the Academy Trust's educational operations.

##### **Governance costs**

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

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 1 Accounting policies (continued)

##### 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 Academy Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

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.

<b>Asset class</b>	<b>Amortisation method and rate</b>
Fixtures and fittings	straight line over 5 years
Computer equipment	straight line over 3 years
Freehold buildings	straight line 50 years

##### Leased assets

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

##### Taxation

The Academy Trust 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 Trust 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.

## **Kents Hill Junior School**

### **Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012**

#### **1 Accounting policies (continued)**

##### **Pension benefits**

Retirement benefits to employees of the Academy Trust 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 are held separately from those of the Academy Trust. 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 Trust 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 the notes to the financial statements, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust 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 Academy Trust at the discretion of the governors.

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 2 General Annual Grant (GAG)

	<b>31 August 2012 £</b>
<b>Results and carry forward for period</b>	
GAG allocation for current period	949,304
Total GAG available to spend	949,304
Recurrent expenditure from GAG	(862,653)
Fixed assets purchased from GAG	(79,007)
GAG carried forward to next year	7,644
Maximum permitted GAG carry forward at end of current period (12% of allocation for current period)	113,916
<b>GAG to surrender to DfE</b> (12% rule breached if result is positive)	(106,273)
	No breach
<b>Use of GAG brought forward from previous for recurrent purposes</b>	
Recurrent expenditure from GAG	862,653
GAG allocation for current period	(949,304)
GAG brought forward from previous in excess of 2%, used on recurrent expenditure in current period	(86,651)
(2% rule breached if result is positive)	No breach

#### 3 Voluntary income

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total 2012 £
Transfer on conversion	99,774	(244,300)	5,746,298	5,601,772
<b>Other voluntary income</b>				
Educational trips and visits	38,504	-	-	38,504
Total voluntary income	138,278	(244,300)	5,746,298	5,640,276

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 4 Activities for generating funds

	<b>Unrestricted funds</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>
Hire of facilities	1,992	1,992
Catering income	29,991	29,991
	<u>31,983</u>	<u>31,983</u>

#### 5 Investment income

	<b>Unrestricted funds</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>
Bank Interest Receivable	187	187
	<u>187</u>	<u>187</u>

#### 6 Funding for Academy's educational operations

	<b>Restricted funds</b>	<b>Restricted fixed asset funds</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>DfE/EFA capital grants</b>			
Capital grants	-	7,780	7,780
<b>DfE/EFA revenue grants</b>			
General annual grant	949,304	-	949,304
Other DfE/EFA grants	6,996	-	6,996
	<u>956,300</u>	<u>-</u>	<u>956,300</u>
<b>Other government grants</b>			
Local Authority grant	59,906	-	59,906
Total grants	<u>1,016,206</u>	<u>7,780</u>	<u>1,023,986</u>

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 7 Resources expended

	Staff costs £	Premises £	Other costs £	Total 2012 £
<b>Academy's educational operations</b>				
Direct costs	597,345	175,316	71,297	843,958
Allocated support costs	71,045	98,677	73,298	243,020
	668,390	273,993	144,595	1,086,978
Governance costs including allocated support costs	-	-	8,009	8,009
	668,390	273,993	152,604	1,094,987

#### Net incoming/outgoing resources for the period include:

	31 August 2012 £
Operating leases	5,379
Fees payable to auditor - audit	5,650

#### 8 Charitable activities - Academy's educational operations

	Restricted funds £	Restricted fixed asset funds £	Total 2012 £
<b>Direct costs</b>			
Teaching and educational support staff costs	597,345	-	597,345
Depreciation	-	175,316	175,316
Educational supplies	68,870	-	68,870
Staff development	552	-	552
Other direct costs	1,875	-	1,875
	668,642	175,316	843,958

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 8 Charitable activities - Academy's educational operations (continued)

	Restricted funds £	Restricted fixed asset funds £	Total 2012 £
<b>Allocated support costs</b>			
Support staff costs	71,045	-	71,045
Maintenance of premises and equipment	23,049	-	23,049
Cleaning	28,830	-	28,830
Rent, rates and utilities	22,094	-	22,094
Insurance	24,704	-	24,704
Recruitment and support	975	-	975
Security and transport	347	-	347
Catering	35,275	-	35,275
Professional fees	18,141	-	18,141
Other support costs	18,560	-	18,560
	243,020	-	243,020
	911,662	175,316	1,086,978

#### 9 Governance costs

	Restricted funds £	Total 2012 £
<b>Auditors' remuneration</b>		
Audit of financial statements	5,650	5,650
Support costs	2,359	2,359
	8,009	8,009
	8,009	8,009

#### 10 Staff costs

	2012 £
<b>Staff costs during the period were:</b>	
Wages and salaries	563,340
Social security costs	36,285
Pension costs	68,765
	668,390
	668,390

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 10 Staff costs (continued)

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

	<b>31 August 2012 No</b>
<b>Charitable Activities</b>	
Teachers	20
Administration and support	5
Management	3
	<hr/>
	28
	<hr/> <hr/>

During the period there were no staff whose emoluments exceeded £60,000 annually.

#### 11 Governors' remuneration and expenses

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.

No payments were made during the period in respect of Governors expenses.

Related party transactions involving the trustees are set out in note 25.

#### 12 Governors' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ended 31 August 2012 was £1,184.

The cost of this insurance is included in the total insurance cost.

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 13 Tangible fixed assets

	Freehold land and buildings £	Furniture and equipment £	Computer equipment £	Total £
<b>Cost</b>				
Additions	-	66,216	20,572	86,788
Inherited assets	<u>5,058,000</u>	<u>550,638</u>	<u>137,660</u>	<u>5,746,298</u>
At 31 August 2012	<u>5,058,000</u>	<u>616,854</u>	<u>158,232</u>	<u>5,833,086</u>
<b>Depreciation</b>				
Charge for the year	<u>37,633</u>	<u>93,730</u>	<u>43,953</u>	<u>175,316</u>
At 31 August 2012	<u>37,633</u>	<u>93,730</u>	<u>43,953</u>	<u>175,316</u>
<b>Net book value</b>				
At 31 August 2012	<u><u>5,020,367</u></u>	<u><u>523,124</u></u>	<u><u>114,279</u></u>	<u><u>5,657,770</u></u>

#### 14 Debtors

	<b>31 August 2012 £</b>
Prepayments	5,686
VAT recoverable	<u>7,754</u>
	<u><u>13,440</u></u>

#### 15 Creditors: amounts falling due within one year

	<b>31 August 2012 £</b>
Trade creditors	76,429
Other taxation and social security	14,075
Pension scheme creditor	9,740
Deferred income	<u>9,000</u>
	<u><u>109,244</u></u>

**Kents Hill Junior School**

**Notes to the Financial Statements for the Period from 1 November 2011 to 31 August  
2012**

**15 Creditors: amounts falling due within one year (continued)**

	<b>31 August 2012 £</b>
Resources deferred in the period	<u>9,000</u>

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 16 Funds

	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2012 £
<b>Restricted general funds</b>				
General annual grant (GAG)	949,304	(852,769)	(88,892)	7,644
Other DFE/EFA grants	6,996	(6,996)	-	-
Local Authority grant	59,906	(59,906)	-	-
	<u>1,016,206</u>	<u>(919,671)</u>	<u>(88,892)</u>	<u>7,644</u>
<b>Restricted fixed asset funds</b>				
Inherited fixed assets	5,746,298	(167,645)	-	5,578,653
Capital expenditure from GAG	-	(6,983)	79,007	72,024
DFE/EFA capital grants	7,780	(688)	-	7,092
	<u>5,754,078</u>	<u>(175,316)</u>	<u>79,007</u>	<u>5,657,769</u>
<b>Restricted pension funds</b>				
Pension reserve	(244,300)	-	85,300	(159,000)
Total restricted funds	6,525,984	(1,094,987)	75,416	5,506,413
Unrestricted funds	170,448	-	-	170,448
Total funds	<u>6,696,432</u>	<u>(1,094,987)</u>	<u>75,416</u>	<u>5,676,861</u>

#### 17 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	5,657,769	5,657,769
Current assets	170,448	116,888	-	287,336
Current liabilities	-	(109,244)	-	(109,244)
Pension scheme liability	-	(159,000)	-	(159,000)
Total net assets	<u>170,448</u>	<u>(151,356)</u>	<u>5,657,769</u>	<u>5,676,861</u>

#### 18 Financial commitments

##### Operating leases

At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows:

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 18 Financial commitments (continued)

##### Operating leases which expire:

##### Other

Within two to five years

**31 August  
2012  
£**

3,941

#### 19 Reconciliation of net income to net cash inflow/(outflow) from operating activities

Net income  
Depreciation  
Interest receivable  
Increase in debtors  
Increase in creditors  
Inherited assets  
Increase in defined benefit pension scheme liability  
FRS17 pension costs less contribution payable  
FRS17 pension finance income  
Net cash inflow from operating activities

**31 August  
2012  
£**

5,601,445  
175,316  
(187)  
(13,440)  
109,244  
(5,846,072)  
244,300  
(5,884)  
(4,000)  
260,722

#### 20 Returns on investments and servicing of finance

Interest received  
Net cash inflow from returns on investments and servicing of finance

**31 August  
2012  
£**

187  
187

#### 21 Capital expenditure and financial investment

Purchase of tangible fixed assets

**31 August  
2012  
£**

(86,788)

#### 22 Analysis of changes in net funds

Cash at bank and in hand

**Cash flows  
£**  
273,895

**At 31 August  
2012  
£**  
273,895

## **Kents Hill Junior School**

### **Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012**

#### **23 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.

#### **24 Pension and similar obligations**

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by 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 was 31 March 2004 and of the LGPS 31 August 2012.

Contributions amounting to £9,740 were payable to the schemes at 31 August and are included within creditors.

##### **Teachers' Pension Scheme**

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits including annual increases payable under the Pensions (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' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation 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 (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 real rate of return.

The Government Agency ("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 the 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.

## **Kents Hill Junior School**

### **Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012**

#### **24 Pension and similar obligations (continued)**

The latest valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 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 employee contribution rate of 6.4% and 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 17 (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 and the implications for the academy in terms of the anticipated contribution rates.

#### **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 period ended 31 August 2012 was £17,739, of which employer's contributions totalled £12,009 and employees' contributions totalled £5,730. The agreed contribution rates for future years are 12.3 per cent for employers and between 5.7 and 7.5 per cent for employees.

As described in the notes the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 24 Pension and similar obligations (continued)

##### Principal actuarial assumptions

	<b>At 31 August 2012</b>
	%
Rate of increase in salaries	3.70
Rate of increase for pensions in payment/inflation	1.90
Discount rate for scheme liabilities	3.90
Inflation assumptions (CPI)	1.90
RPI increases	<u>2.70</u>

##### Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	+ 0.1%	0.0%	- 0.1%
	£	£	£
<b>Adjustment to discount rate</b>			
Present value of total obligation	181,000	188,000	194,000
Projected service cost	<u>27,000</u>	<u>28,000</u>	<u>29,000</u>
	+ 1 Year	None	- 1 Year
	£	£	£
<b>Adjustment to mortality age rating assumption</b>			
Present value of total obligation	181,000	188,000	194,000
Projected service cost	<u>27,000</u>	<u>28,000</u>	<u>29,000</u>

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

	<b>At 31 August 2012</b>
<b>Retiring today</b>	
Males retiring today	22.70
Females retiring today	25.30
<b>Retiring in 20 years</b>	
Males retiring in 20 years	24.10
Females retiring in 20 years	<u>26.80</u>

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

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 24 Pension and similar obligations (continued)

	<b>At 31 August 2012</b>
	<b>£</b>
Equities	19,000
Gilts	2,000
Other bonds	3,000
Property	4,000
Cash	<u>1,000</u>
Total market value of assets	<u>29,000</u>
Surplus in the scheme	<u>29,000</u>

The expected rates of return were:

	<b>At 31 August 2012</b>
	<b>%</b>
Equities	5.90
Gilts	2.80
Other bonds	3.90
Property	4.90
Cash	<u>.50</u>

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £1,000.

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 24 Pension and similar obligations (continued)

##### Amounts recognised in the statement of financial activities

	<b>31 August 2012</b>
	<b>£</b>
Current service cost	17,000
Total operating charge	<u>17,000</u>

##### Analysis of pension finance income/(costs)

	<b>31 August 2012</b>
	<b>£</b>
Expected return on pension scheme assets	(1,000)
Interest on pension liabilities	<u>5,000</u>
Pension finance income	<u>4,000</u>

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 (£78,000).

##### Movements in the present value of defined benefit obligation

	<b>31 August 2012</b>
	<b>£</b>
At 1 November	121,000
Current service cost	17,000
Interest cost	5,000
Employee contributions	6,000
Actuarial losses	<u>39,000</u>
At 31 August	<u>188,000</u>

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

	<b>31 August 2012</b>
	<b>£</b>
Expected return on assets	1,000
Employer contributions	22,000
Employee contributions	<u>6,000</u>
At 31 August	<u>29,000</u>

The estimated value of employer contributions for next period is £27,000.

##### History of experience adjustments

Amounts for the current period are as follows:

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

#### 24 Pension and similar obligations (continued)

	<b>31 August 2012</b>
	<b>£</b>
Present value of scheme liabilities	(188,000)
Fair value of scheme assets	<u>29,000</u>
Deficit in the scheme	<u><u>(159,000)</u></u>
	<b>31 August 2012</b>
	<b>£</b>

Comparative figures have not been restated as permitted by FRS 17.

#### 25 Related party transactions

Owing to the nature of the Academy's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is 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 Academy's financial regulations and normal procurement procedures.

During the period the academy made the following related party transactions:

##### **Bailey & Taylor Ltd**

(Mr S Taylor is a director of Bailey & Taylor Ltd and a Governor and Trustee of Kents Hill Junior School)  
Bailey & Taylor Ltd supplied and fitted tiles to the ladies toilets of Kents Hill Junior School at a cost of £602.  
At the balance sheet date the amount due to Bailey & Taylor Ltd was £602.

#### 26 Conversion to an academy trust

On 1 November 2011 the Kents Hill Junior School converted to academy trust status under the Academies Act 2010 and all the operations assets and liabilities were transferred to Kents Hill Junior School from the Essex County Council Local Authority for £Nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

The following table sets out the fair values of the identifiable assets and liabilities and an analysis of their recognition in the SOFA.

	<b>Unrestricted fund £</b>	<b>Restricted general fund £</b>	<b>Restricted fixed asset fund £</b>	<b>Total £</b>
Tangible fixed assets				
Freehold/leasehold land and buildings	-	-	5,058,000	5,058,000
Other tangible fixed assets	-	-	688,298	688,298

## Kents Hill Junior School

### Notes to the Financial Statements for the Period from 1 November 2011 to 31 August 2012

	<b>Unrestricted fund £</b>	<b>Restricted general fund £</b>	<b>Restricted fixed asset fund £</b>	<b>Total £</b>
Budget surplus on LA funds	96,675	-	-	96,675
Budget surplus on other school funds	3,099	-	-	3,099
LGPS pension deficit	-	(244,300)	-	(244,300)
Net assets/(liabilities)	<u>99,774</u>	<u>(244,300)</u>	<u>5,746,298</u>	<u>5,601,772</u>