

Financial Statements

The Bedford and Kempston Free
School Limited (A company
limited by guarantee)

For the year ended 31 August 2013

Contents

	Page
Reference and administrative details of the academy, its governors and advisers	1 - 2
Governors' report	3 - 11
Governance statement	12 - 13
Statement on regularity, propriety and compliance	14
Governors' responsibilities statement	15
Independent auditor's report	16 - 17
Independent auditor's assurance report on regularity	18 - 19
Statement of financial activities	20
Balance sheet	21
Cash flow statement	22
Notes to the financial statements	23 - 41

Reference and Administrative Details of the School, its Governors and Advisers

For the year ended 31 August 2013

Governors

M Barnes *
M Buddle *
Y Dallas
L J Godden
R D Hamilton
M P Harris - Chair of Human Resource, Health and Safety Committee
D A Hill - Vice Chair of Governors
P Jones * - Chair of Finance and Estates Committee
M Pompa *
I M Pryce
S Sohanpal
R N Syson * - Chair of Governors
M G Lechain * (appointed 3 September 2012)
L A Longworth - Chair of Curriculum and Standards Committee
(appointed 2 January 2013)
A Sinkinson (appointed 2 January 2013)
D Pritchard (appointed 2 January 2013, resigned 10 July 2013)

* also members of the Finance and Estates Committee

Company registered number

07337888

Registered office

Cauldwell House
Cauldwell Street
Bedford
MK42 9AD

Accounting Officer

M G Lechain

Responsible Officer

D Hill

Company secretary

S Walker

Clerk of Governors

K Bonser

Senior management team

M G Lechain, Principal
J Herron, Assistant principal
P Donald, Assistant principal
S Walker, Business manager

Reference and Administrative Details of the School, its Governors and Advisers

For the year ended 31 August 2013

Advisers (continued)

Independent auditor Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
300 Pavilion Drive
Northampton Business Park
Northampton
NN4 7YE

Bankers Barclays Bank Plc
111 High Street
Bedford
MK40 1NJ

Governors' Report

For the year ended 31 August 2013

The Governors (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Bedford and Kempston Free School Limited (the School) for the ended 31 August 2013.

The Governors confirm that the Annual report and financial statements of the school comply with the current statutory requirements, the requirements of the school's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

Structure, governance and management

a. Constitution

The School 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 School. The School was incorporated on 6 August 2010 and commenced operation as a School on 1 September 2012.

The Governors act as the Trustees for the charitable activities of The Bedford and Kempston Free School Limited and are also the Directors of the Charitable Company for the purposes of company law. The Charitable Company is known as The Bedford and Kempston Free School Limited.

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

b. 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 after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

c. Governors' indemnities

Subject to the provisions of the Companies Act 2006 every Governor or other officer or auditor of the School shall be indemnified out of the assets of the School against any liability incurred by him in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the School.

d. Principal activities

The School's object is 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.

Governors' Report (continued)

For the year ended 31 August 2013

e. Method of recruitment and appointment or election of Governors

The members of the School shall comprise:

- a) The signatories to the Memorandum of Association
- b) One person appointed by the Secretary of State, in the event that the Secretary of State appoints a person for this purpose
- c) The Chairman of Governors
- d) Any person appointed under Article 16 of the Trusts Article of Association

The members may agree unanimously in writing to appoint such additional Members as they think fit and may unanimously (save that the agreement of the Member(s) to be removed shall not be required) in writing agree to remove any such Member.

The Governing Body of the school shall comprise:

- a) Up to six Governors
- b) Any number of staff governor, provided that the total number of Governors (including the Principal) who are employees of the Academy Trust does not exceed one third of the total number of Governors.
- c) Up to one LA Governor
- d) A minimum of 2 Parent Governors
- e) The Principal
- f) Any additional governors appointed by the Secretary of State

Governors are appointed for a four year period, except that this time limit does not apply to the Principal. Subject to remaining eligible to be a particular type of Governor, any Governor can be re-appointed or re-elected.

When appointing new Governors, the Board will give consideration to the skills and experience mix of existing Governors to ensure the Board has the necessary skills to contribute fully to the School's development.

f. Policies and procedures adopted for the induction and training of Governors

The training and induction provided for new Governors will depend upon their existing experience.

Where necessary induction will include training on educational, legal and financial matters. All new Governors will be given the opportunity of a tour of the School, have the chance to meet staff and students and provided with copies of key documents, such as policies, procedures, accounts, budgets, plans and documents they need to undertake their role as a Governor. As there is expected to be a small number of new Directors each year, induction will be carried out informally and will be tailored specifically to the individual.

The Trust subscribes to the Bedford Borough Learning Service and Governors have access to various internal and external training events.

Governors' Report (continued)

For the year ended 31 August 2013

g. Organisational structure

The Governing Body establishes an overall framework for the governance of the School and determines membership, terms of reference and procedures of the Committees. It receives reports including policies from its Committees for ratification. It monitors the activities of the Committees through the minutes of their meetings. The Governing Body may from time to time establish working groups to perform specific tasks. They meet once per term.

There were three committees during 2012-13. These were as follows;

Finance and Estates – this committee meets at least three times per year and was responsible for monitoring the school's finances, accommodation, and capital expenditure. The Committee advises the Full Governing Body on the school's solvency and safeguarding of assets; the school's budget, capital expenditure and debt write offs. They are also involved in the development of the school strategic plan and development of policies.

Curriculum and standards – this committee meets at least three times during the year and is responsible for monitoring & advising the breadth and depth of the curriculum & pastoral provision of the school, the quality of this, and the standards achieved – in terms of academic achievement, attendance, inclusion and support.

Human Resources, Health and Safety – this committee meets at least twice per year. It advises the Full Governing Body on staffing structures, staff pay terms and conditions, staff recruitment (including participation in the selection of the Principal and other senior staff) and health and safety issues. They oversee the recruitment and selection of Governing Body members and evaluate the training and development needs of the Governing Body.

The Schools committee structure is currently under review by the Governors.

The following decisions are reserved for the Governing Body; to consider any change of status or constitution of the School and its committee structure, to appoint or remove the Chairman and/or the Vice Chairman, to appoint the Principal or Clerk to the Governors, to approve the School Improvement Plan and budget.

The Members are responsible for setting general policy, adopting an annual budget, approving the statutory accounts, monitoring the School by the use of budgets and other data, and making major decisions about the direction of the School, capital expenditure and staff appointments.

The Members and Governors have devolved the responsibility for the day to day management of the School to the Principal and the Senior Leadership Team (SLT). The SLT controls the School at an executive level, implementing policies laid down by the Members and Governors and regularly reporting back to them.

During the period The Senior Leadership Team consisted of:

Mark Lehain	Principal
Jane Herron	Assistant Principal
Stephen Walker	Business Manager

The Principal was the School's Accounting Officer for the period.

Governors' Report (continued)

For the year ended 31 August 2013

h. Risk management

The Governors assess the major risks to which the school is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the School, and its finances. The Governors have implemented systems to assess the risks that the school faces, especially in the operational areas and in relation to the control of finance.

They have introduced operational procedures (e.g. vetting of new staff) and internal financial controls (as per below) in order to minimise risks. Where risks cannot be effectively managed an insurance policy has been put in place.

The School has a robust and effective system of internal financial controls.

Statement of the systems of Internal Financial Control

The Governors acknowledge that they have overall responsibility for ensuring that Bedford Free School has an effective and robust system of financial control. The Governors are also responsible for keeping a proper accounting record which shows as accurately as possible the financial position of the School at any one time as well as ensuring that the financial statements comply with the Companies Act. We are responsible for safeguarding the assets of the Academy and for taking appropriate steps to detect and prevent fraud or irregularities and provide assurance that

- The School is operating efficiently and effectively,
- The assets are safeguarded against unauthorised use or disposition,
- The proper records are maintained and financial information used or published is reliable, and
- The School complies with relevant laws and regulations.

The Schools systems of internal control are based upon a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation of accountability. More specifically the system includes

- Comprehensive budgeting and monitoring systems with an annual budget and monthly financial reports which are reviewed and agreed by the Finance and Estates Committee.
- Setting targets to measure financial and other performance,
- Delegation and segregation of duties,
- Identification and management of risks.

The School systems of internal financial controls are examined routinely by the Responsible Officer and annually by the external auditors.

i. Connected organisations, including related party relationships

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 from time to time transactions will take place with organisations in which Members or Governors 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 procedures.

There are no related parties which either control or significantly influence the decisions and operations of the School. There are no sponsors or formal Parent Teacher Associations associated with the School.

Governors' Report (continued)

For the year ended 31 August 2013

Objectives and Activities

a. Objects and aims

Our vision is to give our students that choice, so they can make the most of their future.

The School has a positive, 'can-do' culture built around three core values,

- Respect,
- Honesty, and
- High Expectations

At the School, we believe that every student is a unique individual who possesses talents and gifts that can be developed within the right learning environment. The journey may be tough, but we are prepared to work hard for our students –and we will expect them to work hard in return.

Within a learning environment where high expectations in everything from achievement to attendance and behaviour are the status quo, our aim is that students who come to Bedford Free School will exceed expectations and break through any barriers to achieve their full potential.

As a new school, we are not burdened by unhelpful traditions or obstructive cultures. From how meal breaks are managed to the relationships between staff, students and their families, our school is a place where each individual student's needs are at its heart.

Our learning is not geared solely towards exam results, but considers the enrichment and development of our students as a whole. This wider curriculum provides our students with a more fully-rounded education which takes into account personal and social development.

Over time, the school aims to become a centre of educational and personal excellence for students between Year 7 and Year 11, playing a key role at the heart of the community it serves.

The School's aims during the period ending 31st August 2013 are summarised below:

- To raise the standard of educational attainment of all its pupils.
- To provide a wide and balanced curriculum.
- To develop students as more effective learners.
- To develop the school site to provide accommodation for 500 students from 2014-15.
- To ensure every child enjoys the same high quality education in terms of resourcing, tuition and care.
- To improve the effectiveness of the school by keeping the curriculum and organisational structure under continual review.
- To provide value for money for the funds expended.
- To maintain close links with the community we serve.
- To comply with all appropriate statutory and curriculum requirements.
- To conduct the school's business in accordance with its core values.

Governors' Report (continued)

For the year ended 31 August 2013

b. Objectives, strategies and activities

Key objectives were identified by the Governing Body for the year:-

- obtain a successful outcome in our planning application
- to reach and maintain at least 200 students on roll
- achieve a financial surplus of 2% or more by year end
- ensure student progress and attainment is at or above expected levels
- student attendance is at or above 95%
- recruit 200 more students for September 2013

c. Public benefit

The Governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the School's objectives and aims and in planning future activities for the year. The Governors consider that the School's aims are demonstrably for the public benefit.

Achievements and performance

a. Achievements and performance

The first year of operation proved to be extremely successful – with the school achieving all of the targets in its key objectives bar one – that of student attendance (which, at 93.7% was below target but at a good level for the cohort.)

The school was successful in its planning appeal, with costs being awarded against the Council. Student numbers, whilst varying over time, remained around the 200 mark. A significant financial surplus was achieved, and the School successfully bid for further capital investment from the EFA to improve the state of windows, roof and lifts.

In both year groups, students made well above the expected levels of progress in English and maths.

Student & parent satisfaction was high – at the end of the school year, according to responses to the OFSTED Parent View website, every single respondent would recommend the school to others, and rated highly the School's performance.

b. Going concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the school 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 Accounting Policies.

Governors' Report (continued)

For the year ended 31 August 2013

c. Key financial performance indicators

Most of the Trust's income is obtained from the Education Funding Agency (EFA), part of the Department for Education (DfE), in the form of recurrent grants, the use of which is restricted to specific purposes. The grants received during the period ending 31 August 2013, and the associated expenditure, are shown as restricted funds in the statement of financial activities.

The trust also receives grants and fixed assets and capital funding from the EFA. Such grants are shown in the statement of financial affairs as restricted income in the fixed asset fund.

The school has two key financial objectives, which are to remain financially robust and to remain solvent.

During the period ending 31 August 2013, the total recurrent expenditure of £1,383,298 was more than covered by grant funding from EFA and other income sources. At the end of the period the school had an excess of income over expenditure for the period (excluding restricted fixed asset and pension funds) which amounted to £100,424. This excess was allocated to restricted reserves.

On 31 August 2013 the net book value of the fixed assets was £4,212,118. The assets were exclusively used for providing education and the associated support services for the School.

Financial review

a. Financial and risk management objectives and policies

The Governors have assessed the major risks to which the school is exposed, in particular those related to the operations and finances of the school, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

b. Principal risks and uncertainties

The Principal risks the school faces are:

- Financial – Changes in year on year student recruitment, stemming from local demographic trends and with a concomitant effect upon the funding levels of the School; year on year reductions in per capita funding of the students at the School; and the deficit in the Local Government Pension Scheme, possibly leading to an increase in employer contribution rates.
- Failures in governance and/or management – the risk here are the potential failure to effectively manage the schools finances, internal controls, compliance with regulations and legislation, statutory returns etc. To mitigate this risk the governors review internal controls on a regular basis via a series of arranged Governor Visit's, findings from which are reported to the appropriate committees.
- Reputational – the continuing success of the School is dependent on continuing to attract sufficient student numbers by maintaining the highest standards. The school is due its first OFSTED inspection during the next academic year. To mitigate the risk Governors ensure that student's success and achievement are closely monitored and reviewed.
- Safeguarding and child protection – the Governors continue to ensure the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline.

Governors' Report (continued)

For the year ended 31 August 2013

- Staffing – the success of the school is reliant on the quality of its staff and so the governors monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning.
- Fraud and mismanagement of funds – The School has appointed a Responsible Officer to carry out checks on the financial systems and records. All finance staff receive training to keep them up to date with financial practise and develop their skills in this area.

As a new school, Bedford Free School has been undertaking a comprehensive assessment of possible risks to the future of the School. The risk assessment will be brought before the Full Governing Body during the next academic year. Existing systems are being developed for the on-going management and mitigation of these risks.

c. Reserves policy

The Governing Body have examined the School's requirements for reserves in light of the main risks to the organisation. At this time the Trust's overheads are funded by monthly funding receivable and therefore significant reserves are not an immediate priority.

The Governing Body is in the process of developing a Reserves Policy.

d. Investments policy

The reporting period is the school's first year of operations and in the short term it does not plan to hold, large cash balances that would be appropriate for investment. An investment policy will be drafted in the future and will reflect the school's financial position at the time.

Plans for the future

a. Future developments

During the coming year the school plans to:-

- Increase our student body from 200 to 400 students. The ultimate aim is to hit our capacity of 500 students at the start of 2014/15 academic year.
- Continue our work to improve the experience and outcomes for all students.

Other key objectives include:

- Achieving an OFSTED grade of at least "good with outstanding features"
- Narrowing the gap between students in receipt of Pupil Premium funding, and between boys and girls
- Improving the quality of the School site & building, to improve the student experience.

Governors' Report (continued)

For the year ended 31 August 2013

Other matters

Equal opportunities policy

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

Disabled persons

The policy of the School is to support recruitment and retention of students and employees with disabilities. The School does this by adapting the physical environment, by making support resources available and through training and career development.

Disclosure of information to auditor

Each of the persons who are Governors at the time when this Governors' report is approved has confirmed that:

- so far as that Governor is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- that Governor has taken all the steps that ought to have been taken as a Governor in order to be aware of any information needed by the charitable company's auditor in connection with preparing its report and to establish that the charitable company's auditor is aware of that information.

This report was approved by order of the board of trustees on 19 December 2013 and signed on its behalf by:

R N Syson
Chair of Governors

Governance Statement

Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that The Bedford and Kempston Free School Limited 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 board of trustees has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Bedford and Kempston Free School Limited and the Secretary of State for Education. They are also responsible for reporting to the board of trustees 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 Governors' responsibilities statement. The board of trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Governor	Meetings attended	Out of a possible
M Buddle	7	7
M Barnes	7	7
Y Dallas	6	7
L J Godden	6	7
R D Hamilton	5	7
M P Harris	5	7
D A Hill	7	7
P Jones	7	7
M Pompa	5	7
L A Longworth	3	4
A Sinkinson	4	4
I M Pryce	6	7
S Sohanpal	3	7
D Pritchard	3	4
R N Syson	6	7
M G Lechain	7	7

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 school 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 The Bedford and Kempston Free School Limited for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements.

Governance Statement (continued)

Capacity to Handle Risk

The board of trustees 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 board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the school's significant risks, that has been in place for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

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 board of trustees;
- regular reviews by the Finance and Estates 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 board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor, however they have appointed a Responsible Officer (RO).

The Responsible Officer'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 Responsible Officer reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

Review of Effectiveness

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

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the school 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 Estates Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 19 December 2013 and signed on their behalf, by:

R N Syson
Chair of Governors

M G Lehain
Accounting Officer

Statement on Regularity, Propriety and Compliance

As Accounting Officer of The Bedford and Kempston Free School Limited I have considered my responsibility to notify the school board of trustees 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 school and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012).

I confirm that I and the school board of trustees are able to identify any material, irregular or improper use of funds by the school, or material non-compliance with the terms and conditions of funding under the school's funding agreement and the Academies Financial Handbook (2012).

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

M G Lehain
Accounting Officer

Date: 19 December 2013

Governors' Responsibilities Statement

For the year ended 31 August 2013

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 of trustees on 19 December 2013 and signed on its behalf by:

R N Syson
Chair of Governors

Independent Auditor's Report to the Members of The Bedford and Kempston Free School Limited

We have audited the financial statements of The Bedford and Kempston Free School Limited for the year ended 31 August 2013 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency, and applicable law.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 members, as a body for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Governors and auditor

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

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



Independent Auditor's Report to the Members of The Bedford and Kempston Free School Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' 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.

Steve Robinson (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Northampton

Date:

Independent Reporting Auditor's Assurance Report on Regularity to The Bedford and Kempston Free School Limited and the Education Funding Agency

In accordance with the terms of our engagement letter dated 26 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Bedford and Kempston Free School Limited during the year 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Bedford and Kempston Free School Limited and the EFA in accordance with the terms of our engagement letter dated 26 September 2013. Our review work has been undertaken so that we might state to The Bedford and Kempston Free School Limited and the EFA those matters we are required to state to them 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 Bedford and Kempston Free School Limited and the EFA, for our review work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Bedford and Kempston Free School Limited's accounting officer and the reporting auditor

The accounting officer is responsible, under the requirements of The Bedford and Kempston Free School Limited's funding agreement with the Secretary of State for Education dated 22 June 2012, and the Academies Financial Handbook extant from 1 September 2012, 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. 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 1 September 2012 to 31 August 2013 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 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 school trust's income and expenditure.

Independent Reporting Auditor's Assurance Report on Regularity to The Bedford and Kempston Free School Limited and the Education Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2012 to 31 August 2013 have not been applied to the purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor
Northampton

Date:

Statement of Financial Activities

(Incorporating Income and Expenditure Account and Statement of Recognised Gains and Losses)

For the year ended 31 August 2013

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Incoming resources						
Incoming resources from generated funds:						
Voluntary income	3	-	-	2,850,000	2,850,000	15
Activities for generating funds	4	33,630	-	-	33,630	-
Incoming resources from charitable activities	5	-	1,445,956	1,194,320	2,640,276	461,220
Total incoming resources		33,630	1,445,956	4,044,320	5,523,906	461,235
Resources expended						
Charitable activities		33,650	1,349,885	135,765	1,519,300	114,831
Governance costs	8	-	33,413	-	33,413	4,060
Total resources expended	7	33,650	1,383,298	135,765	1,552,713	118,891
Net incoming resources / (resources expended) before transfers						
		(20)	62,658	3,908,555	3,971,193	342,344
Transfers between Funds	16	-	42,771	(42,771)	-	-
Net income for the year		(20)	105,429	3,865,784	3,971,193	342,344
Actuarial gains and losses on defined benefit pension schemes		-	(1,000)	-	(1,000)	-
Net movement in funds for the year		(20)	104,429	3,865,784	3,970,193	342,344
Total funds at 1 September 2012		20	(4,005)	346,334	342,349	5
Total funds at 31 August 2013		-	100,424	4,212,118	4,312,542	342,349

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 23 to 41 form part of these financial statements.

Balance Sheet

As at 31 August 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	13		4,212,118		346,334
Current assets					
Debtors	14	653,731		82,604	
Cash at bank and in hand		134,612		110,819	
		<u>788,343</u>		<u>193,423</u>	
Creditors: amounts falling due within one year	15	(690,919)		(197,408)	
Net current assets/(liabilities)			<u>97,424</u>		<u>(3,985)</u>
Total assets less current liabilities			<u>4,309,542</u>		<u>342,349</u>
Defined benefit pension scheme asset	19		3,000		-
Net assets including pension scheme assets/(liabilities)			<u><u>4,312,542</u></u>		<u><u>342,349</u></u>
Funds of the academy					
Restricted funds:					
Restricted funds	16	97,424		(4,005)	
Restricted fixed asset funds	16	4,212,118		346,334	
Restricted funds excluding pension asset		4,309,542		342,329	
Pension reserve		3,000		-	
Total restricted funds			<u>4,312,542</u>		<u>342,329</u>
Unrestricted funds	16		-		20
Total funds			<u><u>4,312,542</u></u>		<u><u>342,349</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 19 December 2013 and are signed on their behalf, by:

R N Syson
Chair of Governors

The notes on pages 23 to 41 form part of these financial statements.

Cash Flow Statement

For the year ended 31 August 2013

	Note	2013 £	2012 £
Net cash flow from operating activities	22	2,831,022	110,814
Capital expenditure and financial investment		(2,807,229)	-
Increase in cash in the year		<u>23,793</u>	<u>110,814</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

For the year ended 31 August 2013

	2013 £	2012 £
Increase in cash in the year	<u>23,793</u>	<u>110,814</u>
Movement in net funds in the year	<u>23,793</u>	<u>110,814</u>
Net funds at 1 September 2012	<u>110,819</u>	<u>5</u>
Net funds at 31 August 2013	<u>134,612</u>	<u>110,819</u>

The notes on pages 23 to 41 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 August 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 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 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.

Notes to the Financial Statements

For the year ended 31 August 2013

1. Accounting Policies (continued)

1.3 Incoming resources

All incoming resources are included in the Statement of financial activities when the school has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance 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.

The value of donated services and gifts in kind provided to the school 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 policies.

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

1.4 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 are costs incurred in the school's educational operations.

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

All resources expended are inclusive of irrecoverable VAT.

Notes to the Financial Statements

For the year ended 31 August 2013

1. Accounting Policies (continued)

1.5 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 school 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.

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

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 are 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.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	50 years
Plant & machinery	-	10 years
Motor vehicles	-	7 years
Fixtures & fittings	-	5 years
Computer equipment	-	4 years

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

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

1.8 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.

Notes to the Financial Statements

For the year ended 31 August 2013

1. Accounting Policies (continued)

1.9 Pensions

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, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), 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 19, 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 the 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 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.

2. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the school was subject to limits at 31 August 2013 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The school has not exceeded these limits during the year ended 31 August 2013.

3. Voluntary income

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Donations	-	2,850,000	2,850,000	15
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Financial Statements

For the year ended 31 August 2013

4. Activities for generating funds

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Educational trip income	4,006	-	4,006	-
Catering income	15,994	-	15,994	-
Sundry income	13,630	-	13,630	-
	<u>33,630</u>	<u>-</u>	<u>33,630</u>	<u>-</u>

5. Funding for educational operations

	Unrestricted funds 2013	Restricted funds 2013	Total funds 2013	Total funds 2012
DfE/EFA grants				
General Annual Grant (GAG)	-	1,117,485	1,117,485	-
Start Up Grants	-	242,035	242,035	-
Capital Grants	-	1,194,320	1,194,320	346,334
Other DfE/EFA Grants	-	80,430	80,430	114,886
	<u>-</u>	<u>2,634,270</u>	<u>2,634,270</u>	<u>461,220</u>
Other government grants				
Local Authority Grants	-	6,006	6,006	-
	<u>-</u>	<u>6,006</u>	<u>6,006</u>	<u>-</u>
	<u>-</u>	<u>2,640,276</u>	<u>2,640,276</u>	<u>461,220</u>

6. Expenditure by charitable activity

Summary by fund type

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Educational operations	<u>33,650</u>	<u>1,485,650</u>	<u>1,519,300</u>	<u>114,831</u>

Notes to the Financial Statements

For the year ended 31 August 2013

Educational operations

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Direct costs				
Teaching and educational support staff costs	-	734,829	734,829	67,618
Depreciation	-	81,459	81,459	-
Educational supplies	9,738	117,993	127,731	3,063
Examination fees	-	1,768	1,768	-
Staff development	-	11,316	11,316	6,908
Educational consultancy	-	21,523	21,523	664
Other direct costs	-	40,411	40,411	448
	<u>9,738</u>	<u>1,009,299</u>	<u>1,019,037</u>	<u>78,701</u>

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Allocated support costs				
Support staff costs	-	83,182	83,182	11,316
Depreciation	-	54,306	54,306	-
Recruitment and support	-	19,085	19,085	11,745
Maintenance of premises and equipment	-	53,825	53,825	540
Cleaning	-	22,966	22,966	-
Rent and rates	-	36,211	36,211	-
Energy costs	-	109,074	109,074	-
Insurance	-	14,108	14,108	-
Security and transport	-	14,658	14,658	366
Catering	23,912	27,774	51,686	-
Bank interest and charges	-	1,007	1,007	-
Other support costs	-	40,155	40,155	12,163
	<u>23,912</u>	<u>476,351</u>	<u>500,263</u>	<u>36,130</u>

Notes to the Financial Statements

For the year ended 31 August 2013

7. Analysis of resources expended by expenditure type

	Staff costs 2013 £	Depreciation 2013 £	Other costs 2013 £	Total 2013 £	Total 2012 £
Direct costs	734,829	81,459	202,749	1,019,037	78,701
Allocated support costs	83,182	54,306	362,775	500,263	36,130
Charitable activities	818,011	135,765	565,524	1,519,300	114,831
Governance	-	-	33,413	33,413	4,060
	818,011	135,765	598,937	1,552,713	118,891

8. Governance costs

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Audit fees	-	8,600	8,600	4,000
Clerk for governors	-	1,500	1,500	60
Legal and professional fees	-	23,313	23,313	-
	-	33,413	33,413	4,060

9. Net incoming resources / (resources expended)

This is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets: - owned by the charity	135,765	-
Auditor's remuneration	7,250	3,475
Auditor's remuneration - non audit	1,350	525

Notes to the Financial Statements

For the year ended 31 August 2013

10. Staff costs

Staff costs were as follows:

	2013	2012
	£	£
Wages and salaries	673,238	63,778
Social security costs	97,738	6,249
Other pension costs (Note 19)	47,035	8,907
	<u>818,011</u>	<u>78,934</u>
Supply teacher costs	11,770	-
Compensation payments	4,435	-
	<u>834,216</u>	<u>78,934</u>

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

	2013	2012
	No.	No.
Teachers	14	2
Administration and support	10	0
Management	3	0
	<u>27</u>	<u>2</u>

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

	2013	2012
	No.	No.
In the band £ 60,001 - £ 70,000	<u>1</u>	<u>0</u>

The above employee participated in the Teachers' Pension Scheme. During the period ended 31 August 2013, pension contributions amounted to £6,754 (2012: £7,677).

Notes to the Financial Statements

For the year ended 31 August 2013

11. Governors' remuneration and expenses

The Principal and other staff Governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the school in respect of their role as Governors. The value of Governors' remuneration fell within the following bands:

	2013 £	2012 £
Principal	60,000-65,000	40,000-45,000

During the year, no Governors received any reimbursement of expenses (2012 - £60).

12. 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 academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2013 was £8,526 (2012 - £nil).

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

13. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost						
At 1 September 2012	339,064	-	-	-	7,270	346,334
Additions	3,439,246	14,642	22,970	260,277	264,414	4,001,549
At 31 August 2013	<u>3,778,310</u>	<u>14,642</u>	<u>22,970</u>	<u>260,277</u>	<u>271,684</u>	<u>4,347,883</u>
Depreciation						
Charge for the year	42,429	397	3,281	31,576	58,082	135,765
At 31 August 2013	<u>42,429</u>	<u>397</u>	<u>3,281</u>	<u>31,576</u>	<u>58,082</u>	<u>135,765</u>
Net book value						
At 31 August 2013	<u><u>3,735,881</u></u>	<u><u>14,245</u></u>	<u><u>19,689</u></u>	<u><u>228,701</u></u>	<u><u>213,602</u></u>	<u><u>4,212,118</u></u>
At 31 August 2012	<u><u>339,064</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>7,270</u></u>	<u><u>346,334</u></u>

Notes to the Financial Statements

For the year ended 31 August 2013

14. Debtors

	2013	2012
	£	£
Prepayments	99,944	704
Other debtors	113,875	70,706
Prepayments and accrued income	439,912	11,194
	<u>653,731</u>	<u>82,604</u>

15. Creditors: Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	461,727	-
Other creditors	19,043	5
Accruals and deferred income	210,149	197,403
	<u>690,919</u>	<u>197,408</u>

Deferred income

Deferred income at 1 September 2012	166,964
Resources deferred during the year	72,310
Amounts released from previous years	<u>(166,964)</u>
Deferred income at 31 August 2013	<u>72,310</u>

Notes to the Financial Statements

For the year ended 31 August 2013

16. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	20	33,630	(33,650)	-	-	-
Restricted funds						
General Annual Grant (GAG)	-	1,117,485	(993,229)	(22,970)	-	101,286
Start Up Grants	-	242,035	(232,352)	(9,683)	-	-
Other DfE/EFA grants	(4,005)	80,430	(155,711)	75,424	-	(3,862)
Local Authority Grants	-	6,006	(6,006)	-	-	-
Pension reserve	-	-	4,000	-	(1,000)	3,000
	<u>(4,005)</u>	<u>1,445,956</u>	<u>(1,383,298)</u>	<u>42,771</u>	<u>(1,000)</u>	<u>100,424</u>
Restricted fixed asset funds						
DfE / EFA grants	346,334	1,194,320	(135,765)	(42,771)	-	1,362,118
Donated building	-	2,850,000	-	-	-	2,850,000
	<u>346,334</u>	<u>4,044,320</u>	<u>(135,765)</u>	<u>(42,771)</u>	<u>-</u>	<u>4,212,118</u>
Total restricted funds	<u>342,329</u>	<u>5,490,276</u>	<u>(1,519,063)</u>	<u>-</u>	<u>(1,000)</u>	<u>4,312,542</u>
Total of funds	<u><u>342,349</u></u>	<u><u>5,523,906</u></u>	<u><u>(1,552,713)</u></u>	<u><u>-</u></u>	<u><u>(1,000)</u></u>	<u><u>4,312,542</u></u>

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

Under the funding agreement with the Secretary of State, the school was subject to a limit on the amount of GAG that it could carry forward at 31 August 2013. Note 2 discloses whether the limit was exceeded.

Notes to the Financial Statements

For the year ended 31 August 2013

Summary of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/(Losses) £	Carried Forward £
General funds	20	33,630	(33,650)	-	-	-
Restricted funds	(4,005)	1,445,956	(1,383,298)	42,771	(1,000)	100,424
Restricted fixed asset funds	346,334	4,044,320	(135,765)	(42,771)	-	4,212,118
	<u>342,349</u>	<u>5,523,906</u>	<u>(1,552,713)</u>	<u>-</u>	<u>(1,000)</u>	<u>4,312,542</u>

17. Analysis of net assets between funds

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Total funds 2013 £	Total funds 2012 £
Tangible fixed assets	-	-	4,212,118	4,212,118	346,334
Current assets	-	788,343	-	788,343	193,423
Creditors due within one year	-	(690,919)	-	(690,919)	(197,408)
Provisions for liabilities and charges	-	3,000	-	3,000	-
	<u>-</u>	<u>100,424</u>	<u>4,212,118</u>	<u>4,312,542</u>	<u>342,349</u>

18. Capital commitments

At 31 August 2013 the school had capital commitments as follows:

	2013 £	2012 £
Contracted for but not provided in these financial statements	<u>499,093</u>	<u>60,000</u>

These commitments will be funded by future EFA grants under the Master Funding Agreement and supplemental funding agreements with the Secretary of State with initial sponsorship donations.

19. Pension commitments

The school's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedfordshire County Council. Both are defined benefit schemes.

Notes to the Financial Statements

For the year ended 31 August 2013

19. Pension commitments (continued)

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 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. 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 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, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

Notes to the Financial Statements

For the year ended 31 August 2013

19. Pension commitments (continued)

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations 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 and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

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. Importantly, 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 just 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 were to be phased in from April 2012 on a 40:80:100% basis.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The school is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the school 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 school has set out above the information available on the scheme.

Notes to the Financial Statements

For the year ended 31 August 2013

19. Pension commitments (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £39,000, of which employer's contributions totalled £31,000 and employees' contributions totalled £8,000. The agreed contribution rates for future years are 21.9% for employers and 5.5% - 7.5% for employees.

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

	Expected return at 31 August 2013 %	Fair value at 31 August 2013 £
Equities	6.60	29,000
Bonds	4.00	8,000
Property	4.70	3,000
Other - user input	3.60	1,000
Total market value of assets		<u>41,000</u>
Present value of scheme liabilities		<u>(38,000)</u>
Surplus in the scheme		<u><u>3,000</u></u>

The amounts recognised in the Balance sheet are as follows:

	2013 £	2012 £
Fair value of scheme assets	41,000	-
Present value of unfunded obligations	(38,000)	-
Net asset	<u><u>3,000</u></u>	<u><u>-</u></u>

The amounts recognised in the Statement of financial activities are as follows:

	2013 £	2012 £
Interest on obligation	(1,000)	-
Expected return on scheme assets	1,000	-
Current service cost	27,000	-
Total	<u><u>27,000</u></u>	<u><u>-</u></u>

Notes to the Financial Statements

For the year ended 31 August 2013

19. Pension commitments (continued)

Movements in the present value of the defined benefit obligation were as follows:

	2013	2012
	£	£
Interest cost	1,000	-
Contributions by scheme participants	8,000	-
Actuarial Losses	2,000	-
Current service cost	27,000	-
	<u>38,000</u>	<u>-</u>
Closing defined benefit obligation	<u>38,000</u>	<u>-</u>

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

	2013	2012
	£	£
Expected return on assets	1,000	-
Actuarial gains and (losses)	1,000	-
Contributions by employer	31,000	-
Contributions by employees	8,000	-
	<u>41,000</u>	<u>-</u>
	<u>41,000</u>	<u>-</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £1,000 (2012 - £NIL).

The school expects to contribute £29,000 to its Defined benefit pension scheme in 2014.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
Equities	70.00 %	66.00 %
Bonds	19.00 %	22.00 %
Property	8.00 %	9.00 %
Cash	3.00 %	3.00 %

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2013	2012
Discount rate for scheme liabilities	4.60 %	4.10 %
Expected return on scheme assets at 31 August	5.90 %	4.80 %
Rate of increase in salaries	5.10 %	4.50 %
Rate of increase for pensions in payment / inflation	2.80 %	2.20 %

Notes to the Financial Statements

For the year ended 31 August 2013

19. Pension commitments (continued)

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

	2013
Retiring today	
Males	21.6
Females	23.2
Retiring in 20 years	
Males	23.6
Females	25.6

Amounts for the current period are as follows:

Defined benefit pension schemes

	2013
	£
Defined benefit obligation	(38,000)
Scheme assets	41,000
	<hr/>
Surplus	3,000
	<hr/>
Experience adjustments on scheme assets	1,000
	<hr/> <hr/>

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.

20. Operating lease commitments

At 31 August 2013 the school had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2013	Other
	2013	2012		
	£	£	£	£
Expiry date:				
Between 2 and 5 years	-	-	6,720	-
	<hr/>	<hr/>	<hr/>	<hr/>

21. Contingent liabilities

There are no contingent liabilities

Notes to the Financial Statements

For the year ended 31 August 2013

22. Net cash flow from operations

	2013	2012
	£	£
Net incoming resources before revaluations	3,971,193	342,344
Depreciation of tangible fixed assets	135,765	-
Capital grants from DfE	(1,194,320)	(346,334)
Increase in debtors	(571,127)	(82,604)
Increase in creditors	493,511	197,408
FRS 17 adjustments	(4,000)	-
	<u>2,831,022</u>	<u>110,814</u>
Net cash inflow from operations		
	2013	2012
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,001,549)	(346,334)
Capital grants from DfE	1,194,320	346,334
	<u>(2,807,229)</u>	<u>-</u>
Net cash outflow capital expenditure		

23. Analysis of changes in net funds

	1 September 2012	Cash flow	Other non-cash changes	31 August 2013
	£	£	£	£
Cash at bank and in hand:	110,819	23,793	-	134,612
Net funds	<u>110,819</u>	<u>23,793</u>	<u>-</u>	<u>134,612</u>

Notes to the Financial Statements

For the year ended 31 August 2013

24. Related party transactions

Owing to the nature of the school's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a governor has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the school's financial regulations and normal procurement procedures.

The following related party transactions took place during the year:

Bedford College is considered to be a related party because Ian Pryce and Patricia Jones, who are Governors of the Academy are employed by Bedford College as the Principal and Finance Director respectively. The expenses paid to Bedford College during the year were £282,491 (2012: £nil).

Lesley Longworth, who is one of the Governors, was employed as a Educational Consultant by the Academy during the year. The expenses paid to her were £7,750 (2012: £nil).

During the year Bedford College subleased one of the Academies buildings without any rent becoming payable.

25. 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