

Company Registration No. 08265245 (England and Wales)

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
(A COMPANY LIMITED BY GUARANTEE)**

**GOVERNORS' REPORT AND AUDITED ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2015**

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ISLAND COMMUNITY SCHOOL

THE ISLAND FREE SCHOOL

REFERENCE AND ADMINISTRATIVE DETAILS

Governors

Mr W A Riches (Chair of Governors)
Mrs J Adams (Resigned 10 December 2014)
Mr S Boyd (Accounting Officer and Head Teacher)
Ms L Outhwaite
Mr G J Peace
Ms R Walford
Mr S Smith
Mr B Allen (Community Governor) (Resigned 10 October 2015)
Ms S Wright
Mr D Tarry

Members

Ian Jenkins
Lisa Cresswell
Claire Seaward
Warren Riches

Senior management team

- Head teacher and accounting officer
- Business manager
- Clerk to the Governors

Mr S Boyd
Ms V Turtle
Ms N Naude

Company secretary

Ms L Cresswell

Company registration number

08265245 (England and Wales)

Registered office

Leeson Road
Ventnor
Isle of Wight
PO38 1PR

Independent auditor

Moore Stephens (South) LLP
9 St Johns Place
Newport
Isle of Wight
PO30 1LH

Bankers

Barclays Bank
Solent Corporate Scheme
PO Box 60
Newport
Isle of Wight
PO30 1XE

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2015

The governors present their annual report together with the accounts and independent auditor's reports of the charitable company for the period 1 September 2014 to 31 August 2015. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The school continues to grow in every sense and the achievements were underlined this year following the excellent externally adjudicated academic results produced by the first year group.

The trust operates an academy for pupils aged 11 to 16 serving a catchment area of the Isle of Wight. There were 123 students on the roll on the Spring 2015 census.

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The charitable company is known as The Island Free School.

The governors are the trustees of Island Community School and are also the directors of the charitable company for the purposes of company law. Details of the governors who served during the year 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 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 £1, for the debts and liabilities contracted before they ceased to be a member.

Method of recruitment and appointment or election of governors

The members and directors of the Island Free School will advertise for governors through local media sources and via the school website.

Each prospective governor will be sent a school prospectus and a copy of the governance policy as well as a copy of this document. Prospective governors will be asked to produce a pen portrait of themselves which includes skills they possess which they feel would be relevant one or more of the committees.

Prospective governors will then be invited to attend an informal evening where they can meet members of the proposer group, company members and directors.

Following on from this evening each prospective governor will be invited to attend one committee meeting linked to their relevant skills. Prospective governors will not be eligible to vote at this meeting and may be asked to step out if there are any sensitive matters to be discussed.

At this point the relevant body will meet the vote on the appointment.

Policies and procedures adopted for the induction and training of governors

Governors are provided with an induction process and relevant training to their roles. Continued Professional Development is conducted during the year at meetings. Governors are members of various sub committees based on their relevant skills.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Organisational structure

The Island has a management structure of the Board of Governors and a Senior Management Team led by the Head Teacher.

The Board of Governors is responsible for appointing the Head Teacher, making major strategic decisions, setting general policy and adopting the annual budget.

The Head Teacher is the Accounting Officer and is responsible for the day to day management of the school.

School policies are developed by senior members of the school's staff to reflect both the strategic directions agreed by the Governors and also the statutory requirements. These policies are approved and adopted by the Board of Governors and implemented as procedures and systems by the Senior Management Team.

Related parties and other connected charities and organisations

There are no connected organisations where there are transactions with related parties, these are disclosed in notes to these accounts.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Objectives and activities

Objects and aims

The aim is to establish a Free School on the Isle of Wight with a music specific specialism, operating according to the vision and ethos set out by the members, to improve educational standards on the Isle of Wight.

Our Ethos

At the Island School it is our aspiration to share the greatest thoughts and achievements of humankind. We will inspire our students by standing on the shoulders of giants and encourage them at every opportunity to take in the view of all that humanity has achieved. Whilst not every student can become great when measured against the achievements of others it is our aspiration that each student be their best when measured against themselves.

Upon entering the Island Free School visitors will be struck by the overwhelmingly supportive nature of the school. Guests will be met by students and staff who are obviously proud of their school and its principles. All lessons that are seen will be delivered by outstanding professionals who are sharing their love of learning with their students. As one moves around the calm and focused classrooms the strong bond between staff and students will be abundantly clear both in the attitude of respect and the collaboration in learning. Where-ever one looks there will be recognition of the achievements and the aspirations of our students and our staff.

Of greatest note will be the obvious happiness of our students and our staff, their enthusiasm to succeed and their aspiration to achieve together. This will meet the cornerstone of our beliefs - A happy child wants to learn.

Our Vision

V1. A caring school that is small enough for every student to be known by every member of staff.

The island Free School will be a human scale school where all students will receive the academic and emotional support they deserve in order to achieve their full potential. We will offer an accelerated KS3 programme of study which will allow us to offer up to three years for students to complete a GCSE programme of study which will include the English Baccalaureate for all students.

V2. A disciplined school where students will be offered a grammar school style education in a truly comprehensive setting.

The Island Free School will offer a curriculum built around the core subjects to develop all our students toward the English Baccalaureate. All students will be offered a further 2 options subjects and more able students will be able to study further GCSEs as part of our enrichment programme. We will combine this with a specialism in music designed to broaden experience and develop fully rounded students. All students will study music for 2 hours in KS3 and GCSE music will be offered as an option in KS4. All students will be expected to play at least one musical instrument

V3. An aspirational school where student progress is paramount.

The Island Free School will have the highest expectations of all staff and all students. A rigorous and robust system for monitoring and tracking will underpin our efforts to ensure that all of our students are making good to outstanding progress in all areas. Staff will be supported in developing outstanding lessons through our coaching observation programme.

V4. An innovative school with a longer day that includes a full and varied extra-curricular programme for all staff and all students.

Our school will include a mandatory extra-curricular hour which will offer a wide range of enrichment activities and academic intervention for all students supported by all staff (teaching and non-teaching), by parents and by members of the wider community.

V5. An enthusiastic school in which all teachers are passionate about learning and have a proven track record.

The Island Free School will recognise that its staff are its most valuable asset and will ensure that all feel valued and supported in a school that is a source of personal pride to everyone. We will develop an outstanding recruitment and retention package to ensure consistency throughout the school.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

V6. An ambitious school where students are encouraged to think for themselves.

At the Island Free School all students will be encouraged to be independent, self-motivated, resilient and inquisitive. We will not pay lip service to these ideals but will embed them in our every action. Our students will be encouraged and supported in all endeavours. All members of our community will play a part in developing their sense of self belief. We will explore every opportunity to give students responsibility within the school and develop a sense of personal responsibility for the local community. All students will engage in the Duke of Edinburgh award scheme during KS4 and will build toward this through curricular, cross curricular and enrichment hour activities.

V7. An Island school for Island families that gives parents a real educational choice for their children.

The Island Free School will offer an educational model which is open to all and offers a more attractive choice to parents' in the state sector. We will have an active parents association who will be fundamental to the running of the school. We will actively promote parent governor posts and will also support parents in becoming active learners with in the school.

Objectives, strategies and activities

The trust's objectives are set out in its Articles of Association. This is to establish, maintain, manage and develop an academy trust offering a broad and balanced curriculum, for the benefit of public education in the United Kingdom.

In accordance with the Articles of Association, the trust has adopted a Funding Agreement approved by the Secretary of State for Education. The Funding Agreement specifies, amongst other things, the basis for admitting pupils to the academy trust.

Significant activities

The School believes in the following principles, referred to as ACE;

Achievement – Realised through recognising the individual needs of every learner

Community – Embracing and utilising the local community for the benefit of all learners and building partnerships to support teaching and learning

Enjoyment – A commitment to innovative practice and the utilisation of technology to develop enthusiasm for learning.

These underpin the school's progress towards its Key Performance Indicators (KPI's)

Public benefit

The Governors have complied with their duty to have due regard to the guidance on Public Benefit published by the Charity Commission in exercising their powers and duties.

The Island Free School was born from the local community, and maintains strong links within and beyond that community thanks to innovative curricular and extra-curricular initiatives and activities. Our utmost priority in terms of public benefit is to provide a high quality education for our pupils

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2015

Strategic report

Achievements and performance

The School is currently oversubscribed in this year group and the year group joining the school in Sept 2016. We are in temporary accommodation until we move onto a purpose built site 1 mile away.

The School was opened in response to significant academic underperformance within the Local Authority that has seen the Island at the bottom of GCSE league tables for several years and well behind national averages for several decades. Analysis of local data, coupled with personal experience of teachers in the proposer group, has highlighted the following areas as significantly below national averages and these have formed key targets for our school:

1. Serious underperformance in English, which has had widespread impact across all subjects.
2. Significant underperformance for FMS and PP pupils whose performance is well below national averages.
3. Poor attendance at secondary level with high levels of Persistent Absenteeism
4. Low levels of extra-curricular engagement exacerbated by travel restrictions especially for the more vulnerable pupils.
5. Large anonymous student bodies in which individual needs are not being met with poor parental engagement.
6. Low staff morale

In developing the vision statement of The Island Free School we have targeted these specific areas and formed Key performance targets to judge the effectiveness of provision against these.

Surveys

As a school we are keen to gather the thoughts of all stakeholders in our school. Parents are asked to complete a well-being survey each term as part of their parent mentor meetings.

Results from the surveys indicate that parents, pupils and staff are extremely happy with the school and that, whilst there are minor areas for improvement. The overall view of stake holders is extremely positive with 100% of parents agreeing they would recommend the school to other families

100% of pupils agreeing they would recommend the school to another child

100% of staff agreeing that they are happy in their job.

Cohort and subject analysis

Across all subjects, average progress is currently in-line with our aspirational targets. Progress in most subjects is at least 4 points from baseline, often higher.

Gender gap

There is no significant gender gap. Attainment of boys and girls differ by a sub-level at most, averaging 1 point.

SEN, FSM and Pupil Premium

SEN, FSM and Pupil Premium pupils are making progress that is broadly in line with main cohort, differing by up to a point at most. In many cases, progress is better than main cohort.

Ability

High, mid and low attainers (based on average KS2) perform similarly well in most subjects

Teachers and CPD

In school CPD has been reactive to the needs of staff as opposed to a pre-set programme, responding to the outcome of observations and performance management. Mainly due to the seniority and experience of staff recruited. Moving forward a more rigorous CPD programme will be in place.

Attendance

Our attendance target for the year was 95% with an aspirational target of 96%.

The school achieved an overall attendance of 95.9%

**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Going concern

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

Financial review

During the year ended 31 August 2015, The Island Community School has received restricted income of £1,939,061 comprising:

- Start Up Grant
- General Annual Grant (GAG)
- Pupil Premium Funding
- Capital Grants towards the purchase of Temporary Build and Permanent build in Upper Ventnor, as well as the related fit out costs for the temporary site.
- Donations
- Local Authority Grants

Further monies generated by The Island Free School was an income of unrestricted funds £86,065.

- Hire of Facilities
- Catering Income
- Parental Contributions
- Other Income

This money generated was used towards part payment for catering and buses, as well as running costs of Rew Valley Sports Centre.

Reserves policy

The Island Free School aims to focus annual income towards current teaching and learning, whilst keeping a reserve to ensure the smooth transition from year to year and to meet any additional curriculum needs.

The school was opened under a Standards Agenda, which meant that the standard of teaching would need to be excellent. Therefore the decision was made to appoint Heads of Department to enable subject area to be developed and ready for each subsequent year group. These Heads of Department are experienced teachers, making salaries cost more than the GAG income and would therefore help pay towards the shortfall.

Funds in deficit

The Local Government Pension Scheme, for some non-teaching staff, is in deficit to the sum of £11,000 which is consistent with other academies. This is due to liabilities exceeding performance of assets due to high mortality rates and a reduction in returns. The deficit is outside the control of the school.

Investment policy and powers

The Island Free School by nature of the fact that it holds cash balances, has responsibilities and powers to make investment decisions. The aim of the investment policy is to ensure that funds, which the school does not immediately need to cover anticipated expenditure, are invested in such a way as to maximise the schools income but without risk.

**ISLAND COMMUNITY SCHOOL
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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Principal risks and uncertainties

The Governors worked towards a risk register and conducted risk assessments which took into account the significant changes the school would make as the school moved from pre-opening to a fully functioning school.

The Head teacher keeps a list of risks and keeps the governors updated should any issues arise. These are then dealt with on a case to case basis.

The principal risk for the Academy as it stands on 31 August 2015 is;

- Not being able to move into the new build should the building work not be complete by August 2016.

Plans for future periods

The school opened with 125 pupils. Excellent progress has been made with positive feedback from pupil and parent surveys and interim inspector visits. Work will continue as the school grows its teaching staff and pupils.

Rew Valley is now managed by the school and lets these facilities out for community use. More development of this site is planned in later years.

The Governors are committed to ensuring that the new build will provide a site suitable for the school for the future.

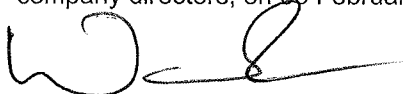
Auditor

In so far as the governors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the governors have taken all steps 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.

A resolution proposing that Moore Stephens (South) LLP be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of governors, as the company directors, on 05 February 2016 and signed on its behalf by:



Mr W A Riches
Chair of Governors

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015**

Scope of responsibility

As governors we acknowledge we have overall responsibility for ensuring that Island Community 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 board of governors has delegated the day-to-day responsibility to the head teacher, 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 Island Community School and the Secretary of State for Education. They are also responsible for reporting to the board of governors 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 board of governors has formally met 3 times during the year. Attendance during the year at meeting of the Governing Body was as follows:

Governors	Meetings attended	Out of possible
Mr W A Riches (Chair of Governors)	3	3
Mrs J Adams (Resigned 10 December 2014)	1	3
Mr S Boyd (Accounting Officer and Head Teacher)	3	3
Ms L Outhwaite	3	3
Mr G J Peace	2	3
Ms R Walford	3	3
Mr S Smith	3	3
Mr B Allen (Community Governor) (Resigned 10 October 2015)	3	3
Ms S Wright	2	3
Mr D Tarry	3	3

The school's board of governors have not carried out a review of governance, the boards intention is to conduct a self-review next year with the aid of external audit processes.

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015

The Finance, Staffing and Site committee is a sub-committee of the main board of trustees. Its purpose is to be responsible for and the quality assurance of the following areas:-

Setting the school budget

- Leading on site development and maintenance
- School resources
- Staff appointments
- Recruitment and retention
- PM
- CPD
- Staff salaries

Attendance at the three meetings in the year was as follows:

The finance, staffing and site committee has formally met 3 times during the year. Attendance during the year at the meetings of the committee was as follows;

Governors	Meetings attended	Out of possible
Mr W A Riches (Chair of Governors)	2	3
Mr S Boyd (Accounting Officer and Head Teacher)	3	3
Ms L Outhwaite	3	3
Ms R Walford	3	3
Mr S Smith	3	3
Mr D Tarry	2	3

The curriculum, enrichment and community committee is a sub-committee of the main board of governors. Its purpose is to:

The curriculum, enrichment and community committee is a sub-committee of the main board of trustees. Its responsibility is supporting the development and assessing the quality of the following areas:-

- A broad and balanced academic curriculum
- An effective enrichment curriculum
- Robust community links

Attendance at meetings in the year was as follows:

Governors	Meetings attended	Out of possible
Mr W A Riches (Chair of Governors)	3	3
Mr S Boyd (Accounting Officer and Head Teacher)	3	3
Ms R Walford	3	3
Mr S Smith	3	3

**ISLAND COMMUNITY SCHOOL
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GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Review of value for money

As accounting officer the head teacher of The Island Free School has responsible and accountable for ensuring that the academy trust delivers good value in the use of public resources. He understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The head teacher considers how the School's use of its resources has provided good value for money during each academic year and reports to the Governors where value for money can be improved, including the use of benchmarking data where available.

The Governors of The Island Free School are committed to achieving Best Value in all the decision we make. We take account of the principles of Best Value in seeking to secure continuous improvement in the Academy and will:

- regularly review the functions of the academy, challenging how and why services are provided and setting targets and performance indicators for improvement
- monitor outcomes and compare performance especially in regard to the performance of Pupil premium pupils
- consult appropriate stakeholders before major decisions are made
- promote fair competition through quotations and tenders to ensure that goods and services are secured in the most economic, efficient and effective way though it should be noted that in ensuring best value we must take into account the fact that we are based on an island and therefore we have to factor in delivery costs that are often much higher than those on the mainland.

We seek to ensure that the academy is using its resources effectively to meet the needs of pupils.

We will submit our Best Value statement with the annual budget plan.

The budget plan and the Best Value statement will be monitored with the school improvement plan in order to assess progress.

We will seek to achieve Best Value by focusing on the following activities this year:

The planning, delivery and monitoring of the curriculum by ensuring for example:

- Evaluating changes to the KS4 curriculum to ensure outstanding provision and value for money
- Meeting or exceeding challenging pupil progress targets across the school through the effective use of Pupil premium funding.
- Robust self-evaluation, reported in the Self Evaluation Form (SEF), with a particular focus on the quality of teaching and learning and on pupil progress.

The care, guidance and support of pupils by, for example:

- Reviewing and modifying the school's Personal, Social and Health education programme.
- Ensuring that all children are valued as individuals and that safeguarding procedures are fully in place.
- Ensuring relevant health and safety and inclusion policies are in place
- Tracking pupil progress and target setting using the school, LA and national data
- Further developing the role of pupil leadership to provide leadership opportunities for young people.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Staffing by, for example:

- Reviewing TLR and other payments to ensure they are fit for purpose
- Reviewing Appraisal arrangements to ensure that targets are rigorous and that our performance related pay policy ensures the high quality of teaching in the school is maintained.
- Reducing bureaucracy where possible.
- Maintaining an annual refurbishment programme as detailed by the Business Manager.
- Ensuring building programmes progress efficiently and with no detrimental impact on learning

Resources by, for example:

- Allocating resources as identified in School Business Plan addressing the priorities identified in the School Improvement Plan
- Obtaining competitive quotations for goods and services again bearing in mind our island location

Academy leadership and management by, for example:

- Putting in place an induction programme for all new teaching staff and ensuring all staff are fully supported in delivering their roles and thereby reducing recruitment costs
- Encouraging applications for appropriate leadership courses from suitable staff.
- Further developing academy-based continuing professional development
- Using Trust status to provide professional development opportunities for leaders.

Financial management by, for example:

- Providing professional development for all leadership roles
- Maintaining a careful oversight on expenditure at regular meetings between the Headmaster and Finance officer
- Maximising income from lettings.

Financial governance and oversight of the school

In this academic year the Academy Trust has established a Full Governing Body (FGB) and four subcommittees, one of which is the Finance, Site and Staffing (FSS) committee. This latter subcommittee assure school income and expenditure, and especially that spend represents value for money.

The FSS subcommittee are responsible for financial governance and have met once each term in the academic year. They have ensured that a sound system of financial control is in place, with clear levels of delegated financial authority designated. The chair of this subcommittee made two further governor visits to review the financial position of the school, and the operation of its procedures during the first term and was supported by the vice chair of the FSS committee.

The FSS subcommittee have monitored the financial position of the school and challenged the senior leadership team where appropriate.

The FSS subcommittee also reviewed and approved the annual budget for 2015/16 in May, checking that that budget allowed for any growth in school roll whilst ensuring the school can live within its means.

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL GOVERNANCE STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2015

Following the preopening phase in 2013/14 the school has now completed its first full year of operation, and following competitive tenders, has now completed the first year of a number of these contracts including the ICT, catering and transport provision.

The school benchmarks its spending using tools available online as well as against other schools through annual reports, local network meetings, and other documents available in the public domain.

Being a new school, economies of scale are an area which in time will develop. Natural growth will help, but it is key for the school to establish strong working relationships with other providers.

Maximising income generation at the school

The school has very limited outdoor space, which usually provides an opportunity to generate income. The school must therefore focus on generating incomes from the internal spaces available. However, in 2014/15, this has been limited to a small number of events run by the local council.

We have taken responsibility for sports facilities that will make up part of our permanent site and have maximised the public use of these in the evenings to ensure that these facilities now turn over a small profit for the school. There are plans to open the facilities at the weekend and to develop the upstairs area to allow for a fitness suite further increasing this income stream.

Reviewing controls and managing risks at the school

Throughout the academic year, financial controls have been reviewed to ensure they are best practice. The Governing Body has overseen a number of policies including the control and risk aspect of the school, particularly around the financial risks to the school. The school's risk management framework and governance structure provides a mechanism for proactively identifying and addressing the key risks to the achievement of the school's strategic objectives. It delivers comprehensive monitoring, control and ongoing management of the major risks to which the school is exposed, so as to ensure the security of school (and, therefore, taxpayer) funds. The school recognizes that its ability to properly identify, measure, monitor and report risk is critical to its sustainable financial security and its ability to provide value and fair outcomes to its pupils.

The Chair of Governors and Chair of the FSS have met with those responsible for the school finances to discuss budgets and scrutinise these along with the financial controls in place at the school. All have been refined throughout the year based on spending patterns, experiences and best practice in other schools.

The school has both invested in a new financial package to manage the increasingly growing funds that the school receives and spends, and also in further refinement of policies and procedures to best suit the growing school.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risk 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 the Island Community School for the period of 1 September 2014 to 31 August 2015 and up to the date of the approval of the annual report and accounts.

Capacity to handle risk

The board of governors 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 board of governors 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 of 1 September 2014 to 31 August 2015 and up to the date of the approval of the annual report and accounts.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

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 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 governors;
- Regular reviews by the staff, finance and site 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 governors has considered the need for a specific internal audit function and has decided;

- Not to appoint an internal auditor. However the governors have appointed Ms Loretta Outhwaite, a trustee as responsible office (RO); and
- To discuss with Moore Stephens (South) LLP, the external auditor, to perform additional checks.

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 board of Governors (Through the FSS meeting) on the operation of the systems of control and on the discharge of the financial responsibilities of the board of governors.

Review of effectiveness

As accounting officer the head teacher 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 and auditor;
- The work of an 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 implication of the result of their review of the system of internal control by the Finance and Resources Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

Approved by order of the board of governors on 05 February 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'W A Riches', written in a cursive style.

Mr W A Riches
Chair of Governors

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2015**

As accounting officer of Island Community School I have considered my responsibility to notify the academy trust board of governors 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 for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of governors and EFA.

However, in contravention to our funding agreement, the school accounts were late in being submitted, due to extenuating circumstances described below, relating to our first year of operations and temporary site arrangements.

In August 2014 the school installed PS Financials package. Due to severe internet limitations in the school's location and compatibility with our Apple IT, the package could not operate. This led to a backlog in finances due to the level of purchasing needed to set up the school. A short term excel spreadsheet was utilised during this period, to ensure that the school could function financially. To address the capacity and system issues, the Governing Body decided to appoint an additional member of staff as a finance manager, and to replace PS Financials with Sage.

In February 2015 we were informed that the EFA would not be able to complete our permanent site or source alternative temporary accommodation for the second cohort of pupils in September 2015. The school took on full responsibility for purchasing and commissioning the necessary additional classrooms for 125 pupils. Due to the school's small administration team, this additional priority work impacted on their capacity to set up and produce accounts via the new Sage system.

The capacity issues continued when in September 2015 the EFA informed us that they would now be unable to complete the permanent site by September 2016, which created additional high priority work for the small team.

We are now working closely with our accountants, Moore Stephens, to finalise the necessary processes and systems for the production of regular management accounts.

Approved on 05 February 2016 and signed by:



Mr S Boyd
Accounting Officer

ISLAND COMMUNITY SCHOOL

THE ISLAND FREE SCHOOL

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The governors (who act as trustees for Island Community School and are also the directors of Island Community School for the purposes of company law) are responsible for preparing the Governors' Report and the accounts 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 accounts for each financial year. Under company law the governors must not approve the accounts 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 accounts, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2005;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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 that 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the board of governors on 05 February 2016 and signed on its behalf by:



Mr W A Riches
Chair of Governors

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND COMMUNITY SCHOOL

We have audited the accounts of Island Community School for the year ended 31 August 2015 set out on pages 22 to 39. 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) and the Academies Accounts Direction 2014 to 2015 issued by the EFA.

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

Respective responsibilities of governors and auditors

As explained more fully in the Governors' Responsibilities Statement set out on page 17, the governors, who are also the directors of Island Community School for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

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

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the Governors' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2015 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, and in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2014 to 2015 issued by the EFA.

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 accounts are prepared is consistent with the accounts.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF ISLAND COMMUNITY SCHOOL**

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 accounts 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.



Mr Kevin Cooper (Senior Statutory Auditor)
Moore Stephens (South) LLP

Chartered Accountants

Statutory Auditor

9 St Johns Place
Newport
Isle of Wight
PO30 1LH

Dated: 10 February 2016

ISLAND COMMUNITY SCHOOL THE ISLAND FREE SCHOOL INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ISLAND COMMUNITY SCHOOL AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 15 December 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Island Community School during the period 1 September 2014 to 31 August 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Island Community 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 Island Community 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 Island Community School and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Island Community School's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Island Community School's funding agreement with the Secretary of State for Education dated July 2014 and the Academies Financial Handbook, extant from 1 September 2014, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2014 to 2015. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2014 to 2015 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Consideration of the Accounting Officer's statement of Regularity, Propriety and Compliance;
- Analytical procedures on the general activities of the Academy Trust;
- A Review of Minutes of Committee and Board meetings, which may be relevant;
- Considerations of discussions with key personnel, including Governors;
- Substantive testing of individual transactions

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
REGULARITY TO ISLAND COMMUNITY SCHOOL AND THE EDUCATION FUNDING
AGENCY (CONTINUED)**

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2014 to 31 August 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Matter 1

The internal accounting system was scrapped in November 2014 but not replaced until February 2015 and then not fully implemented for many months afterwards. This has undermined the credibility of the management information provided to the Trustees and the overriding control framework of the Trust in breach of section 2.3 of the AFH 2014.



Mr Kevin Cooper

Reporting Accountant

Moore Stephens (South) LLP

Dated:10 February 2016

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2015**

		Unrestricted funds £	Restricted funds £	Fixed Asset funds £	Total 2015 £	Total 2014 £
Incoming resources	Notes					
<i>Resources from generated funds</i>						
- Voluntary income	2	-	3,073	-	3,073	800
- Activities for generating funds	3	85,912	981	-	86,893	-
- Investment income	4	153	-	-	153	-
<i>Resources from charitable activities</i>						
- Funding for educational operations	5	-	918,219	1,023,942	1,942,161	210,000
Total incoming resources		86,065	922,273	1,023,942	2,032,280	210,800
Resources expended						
<i>Costs of generating funds</i>						
- Fundraising trading	6	-	-	-	-	281
<i>Charitable activities</i>						
- Educational operations	7	81,871	1,023,391	76,067	1,181,329	164,745
Governance costs	8	-	25,105	-	25,105	13,988
Total resources expended	6	81,871	1,048,496	76,067	1,206,434	179,014
Net incoming/(outgoing) resources before transfers		4,194	(126,223)	947,875	825,846	31,786
Gross transfers between funds		(4,194)	30,658	(26,464)	-	-
Net income/(expenditure) for the year		-	(95,565)	921,411	825,846	31,786
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension scheme	16	-	2,000	-	2,000	-
Net movement in funds		-	(93,565)	921,411	827,846	31,786
Fund balances at 1 September 2014		-	97,453	-	97,453	65,667
Fund balances at 31 August 2015		-	3,888	921,411	925,299	97,453

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006. A statement of total recognised gains and losses is not required as all gains and losses are included in the statement of financial activities.

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

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
BALANCE SHEET
AS AT 31 AUGUST 2015**

	Notes	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	11		921,411		281,260
Current assets					
Debtors	12	211,787		65,390	
Cash at bank and in hand		115,047		86,175	
		<u>326,834</u>		<u>151,565</u>	
Current liabilities					
Creditors: amounts falling due within one year	13	(311,946)		(335,372)	
Net current liabilities			14,888		(183,807)
Net assets excluding pension liability			936,299		97,453
Defined benefit pension liability	16		(11,000)		-
Net assets			<u>925,299</u>		<u>97,453</u>
Funds of the academy trust:					
Restricted funds	14				
- Fixed asset funds			921,411		-
- General funds			14,888		97,453
- Pension reserve			(11,000)		-
Total restricted funds			<u>925,299</u>		<u>97,453</u>
Unrestricted income funds	14		-		-
Total funds			<u>925,299</u>		<u>97,453</u>

The accounts were approved by order of the board of governors and authorised for issue on 05 February 2016.


Mr W A Riches
Chair of Governors

Company Number 08265245

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015**

	Notes	2015 £	2014 £
Net cash inflow/(outflow) from operating activities	17	(279,005)	300,323
Returns on investments and servicing of finance			
Investment income	153	-	-
Net cash inflow/(outflow) from returns on investments and servicing of finance		153	-
		(278,852)	300,323
Capital expenditure and financial investments			
Capital grants received	1,023,942	-	-
Payments to acquire tangible fixed assets	(716,218)	(281,260)	-
Net cash flow from capital activities		307,724	(281,260)
Increase/(decrease) in cash	18	28,872	19,063

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2015**

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2014 to 2015 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.

1.2 Going concern

The governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions 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 accounts.

1.3 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.

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.

Costs 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 governors' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

Assets for long term use 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. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

In this period no depreciation is provided on the new construction as construction on this asset has not completed. No depreciation is provided on the temporary buildings this year because the asset was not in use until September 2015. The rest of assets are written down on a straight line method over it's expected useful life, the expected useful life of each class asset is noted below.

Assets under construct'n	50 years
Temporary buildings	20 years
Computer equipment	5 years
Fixtures, fittings & equipment	10 years

The building of the new school is classified as an asset in the course of construction.

1.6 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.

1.7 Fund accounting

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Other donations	-	3,073	3,073	800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

3 Activities for generating funds

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Hire of facilities	22,041	-	22,041	-
Catering income	25,810	-	25,810	-
Trips and visit income	32,144	-	32,144	-
Other income	5,917	981	6,898	-
	<u>85,912</u>	<u>981</u>	<u>86,893</u>	<u>-</u>

4 Investment income

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Other investment income	<u>153</u>	<u>-</u>	<u>153</u>	<u>-</u>

5 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
DfE / EFA grants				
General annual grant (GAG)	-	691,715	691,715	-
Start up grants	-	187,000	187,000	210,000
Capital grants	-	1,023,942	1,023,942	-
Other DfE / EFA grants	-	30,534	30,534	-
	<u>-</u>	<u>1,933,191</u>	<u>1,933,191</u>	<u>210,000</u>
Other government grants				
Local authority grants	<u>-</u>	<u>8,970</u>	<u>8,970</u>	<u>-</u>
Total funding	<u>-</u>	<u>1,942,161</u>	<u>1,942,161</u>	<u>210,000</u>

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015

6 Resources expended

	Staff costs £	Premises & equipment £	Other costs £	Total 2015 £	Total 2014 £
Academy's educational operations					
- Direct costs	547,509	69,587	153,761	770,857	65,372
- Allocated support costs	235,453	40,001	135,018	410,472	99,373
	<u>782,962</u>	<u>109,588</u>	<u>288,779</u>	<u>1,181,329</u>	<u>164,745</u>
Other expenditure					
Costs of activities for generating funds	-	-	-	-	281
Governance costs	-	-	25,105	25,105	13,988
	<u>-</u>	<u>-</u>	<u>25,105</u>	<u>25,105</u>	<u>14,269</u>
Total expenditure	<u>782,962</u>	<u>109,588</u>	<u>313,884</u>	<u>1,206,434</u>	<u>179,014</u>
Net income/(expenditure) for the year includes:				2015 £	2014 £
Operating leases					
- Plant and machinery				9,336	-
- Other				3,073	-
Loss/(profit) on disposal of fixed assets				6,480	-
Fees payable to auditor					
- Audit				7,500	4,000
- Other services				4,934	1,620
				<u>17,243</u>	<u>5,620</u>

**ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

7 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Direct costs				
Teaching and educational support staff costs	-	530,335	530,335	65,372
Depreciation	-	69,587	69,587	-
Educational supplies and services	-	44,134	44,134	-
Staff development	-	17,174	17,174	-
Other direct costs	38,666	70,961	109,627	-
	<u>38,666</u>	<u>732,191</u>	<u>770,857</u>	<u>65,372</u>
Allocated support costs				
Support staff costs	-	235,453	235,453	33,845
Depreciation	-	6,480	6,480	-
Recruitment and support	-	14,832	14,832	6,996
Maintenance of premises and equipment	-	33,521	33,521	40,418
Cleaning	33	7,003	7,036	-
Energy costs	927	17,153	18,080	-
Rent and rates	1,062	8,627	9,689	-
Insurance	-	3,100	3,100	852
Security and transport	-	27,944	27,944	-
Catering	41,101	678	41,779	-
Other support costs	82	12,476	12,558	17,262
	<u>43,205</u>	<u>367,267</u>	<u>410,472</u>	<u>99,373</u>
Total costs	<u>81,871</u>	<u>1,099,458</u>	<u>1,181,329</u>	<u>164,745</u>

8 Governance costs

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Legal and professional fees	-	16,825	16,825	6,067
Auditor's remuneration				
- Audit of financial statements	-	7,500	7,500	4,000
Support staff costs	-	780	780	965
Other governance costs	-	-	-	2,956
	<u>-</u>	<u>25,105</u>	<u>25,105</u>	<u>13,988</u>

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015

9 Staff costs

	2015	2014
	£	£
Wages and salaries	605,581	79,830
Social security costs	45,072	6,074
Other pension costs	110,389	13,313
	<u>761,042</u>	<u>99,217</u>
Supply teacher costs	2,753	-
Staff development and other staff costs	19,167	-
	<u>782,962</u>	<u>99,217</u>
Total staff costs	<u><u>782,962</u></u>	<u><u>99,217</u></u>

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

	2015	2014
	Number	Number
Teachers	13	1
Administration and support	13	2
Management	2	-
	<u>28</u>	<u>3</u>
	<u><u>28</u></u>	<u><u>3</u></u>

The number of employees whose annual remuneration was £60,000 or more was:

	2015	2014
	Number	Number
£60,001 - £70,000	1	-
	<u>1</u>	<u>-</u>
	<u><u>1</u></u>	<u><u>-</u></u>

Of the employees above, the number participating in pension schemes and the employers' contributions paid on their behalf were as follows:

		2015	2014
Teachers' Pension Scheme	Numbers	1	-
	£	8,815	-
		<u>1</u>	<u>-</u>
		<u><u>8,815</u></u>	<u><u>-</u></u>

ISLAND COMMUNITY SCHOOL
THE ISLAND FREE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015

10 Governors' remuneration and expenses

The headteacher and other staff governors only receive remuneration in respect of services they provide undertaking the roles of headteacher and staff, and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the academy trust in respect of their role as governors.

During the year, travel and subsistence payments totalling £nil were reimbursed to trustees (2014: £nil).

The value of Governor's remuneration was as follows:-

Mr S Boyd Head teacher and Accounting officer - Salary £60,000 - £65,000
Employers Pension £5,000 - £10,000

Other related party transactions involving the governors are set out within the related parties note.

11 Tangible fixed assets

	Assets under construct'n	Temporary Buildings	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost					
At 1 September 2014	-	-	247,193	34,067	281,260
Additions	507,221	106,769	52,087	50,141	716,218
Disposals	-	-	-	(6,480)	(6,480)
	<u>507,221</u>	<u>106,769</u>	<u>299,280</u>	<u>77,728</u>	<u>990,998</u>
At 31 August 2015	507,221	106,769	299,280	77,728	990,998
Depreciation					
At 1 September 2014	-	-	-	-	-
Charge for the year	-	-	59,856	9,731	69,587
	<u>-</u>	<u>-</u>	<u>59,856</u>	<u>9,731</u>	<u>69,587</u>
At 31 August 2015	-	-	59,856	9,731	69,587
Net book value					
At 31 August 2015	<u>507,221</u>	<u>106,769</u>	<u>239,424</u>	<u>67,997</u>	<u>921,411</u>
At 31 August 2014	<u>-</u>	<u>-</u>	<u>247,193</u>	<u>34,067</u>	<u>281,260</u>

The Community School's new building is in the early stages of construction, the overall management of the project is dealt with by the EFA. The school receives EFA capital funding for the build. The cost of the project at the end of August 2015 was £507,221 relating to pre-construction fees, the work is independently certified by a professional quality surveyor. There was an additional purchase of temporary classrooms during the year to accommodate the new intake of students in September 2015, the total cost for this project was £106,769.

**ISLAND COMMUNITY SCHOOL
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FOR THE YEAR ENDED 31 AUGUST 2015**

12	Debtors			2015 £	2014 £
	VAT recoverable			158,755	65,390
	Other debtors			20,826	-
	Prepayments and accrued income			32,206	-
				<u>211,787</u>	<u>65,390</u>
				<u><u>211,787</u></u>	<u><u>65,390</u></u>
13	Creditors: amounts falling due within one year			2015 £	2014 £
	Trade creditors			265,209	320,946
	Taxes and social security costs			14,925	4,088
	Other creditors			-	3,517
	Accruals			31,812	6,821
				<u>311,946</u>	<u>335,372</u>
				<u><u>311,946</u></u>	<u><u>335,372</u></u>
14	Funds				
		Balance at 1 September 2014	Incoming resources	Resources Gains, losses expended & transfers	Balance at 31 August 2015
		£	£	£	£
	Restricted general funds				
	General Annual Grant	-	691,715	(707,485)	30,658
	Start up grants	96,653	187,000	(283,653)	-
	Other DfE / EFA grants	-	30,534	(30,534)	-
	Other government grants	-	8,970	(8,970)	-
	Other restricted funds	800	4,054	(4,854)	-
		<u>97,453</u>	<u>922,273</u>	<u>(1,035,496)</u>	<u>30,658</u>
	Funds excluding pensions	97,453	922,273	(1,035,496)	14,888
	Pension reserve	-	-	(13,000)	2,000
		<u>97,453</u>	<u>922,273</u>	<u>(1,048,496)</u>	<u>32,658</u>
		<u><u>97,453</u></u>	<u><u>922,273</u></u>	<u><u>(1,048,496)</u></u>	<u><u>3,888</u></u>
	Restricted fixed asset funds				
	DfE / EFA capital grants	-	1,023,942	(76,067)	(26,464)
		<u>-</u>	<u>1,023,942</u>	<u>(76,067)</u>	<u>(26,464)</u>
		<u><u>-</u></u>	<u><u>1,023,942</u></u>	<u><u>(76,067)</u></u>	<u><u>921,411</u></u>
	Total restricted funds	<u>97,453</u>	<u>1,946,215</u>	<u>(1,124,563)</u>	<u>6,194</u>
		<u><u>97,453</u></u>	<u><u>1,946,215</u></u>	<u><u>(1,124,563)</u></u>	<u><u>925,299</u></u>
	Unrestricted funds				
	General funds	-	86,065	(81,871)	(4,194)
		<u>-</u>	<u>86,065</u>	<u>(81,871)</u>	<u>(4,194)</u>
		<u><u>-</u></u>	<u><u>86,065</u></u>	<u><u>(81,871)</u></u>	<u><u>-</u></u>
	Total funds	<u>97,453</u>	<u>2,032,280</u>	<u>(1,206,434)</u>	<u>2,000</u>
		<u><u>97,453</u></u>	<u><u>2,032,280</u></u>	<u><u>(1,206,434)</u></u>	<u><u>925,299</u></u>

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14 Funds

(Continued)

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

Restricted General Funds are made up of the General Annual Grant received, to be spent on education within the academy, and other related DfE or other authority grants.

Restricted Fixed Asset Funds relate to the capital funding received for the construction of the new academy building, educational equipment and fixtures and fitting.

Unrestricted Funds are all other sources of income generated by the academy through trading or fundraising and to which no restrictions apply regarding the way they are spent.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG carried forward at 31 August 2015.

15 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Fixed asset funds £	Total funds £
Fund balances at 31 August 2015 are represented by:				
Tangible fixed assets	-	-	921,411	921,411
Current assets	-	326,834	-	326,834
Creditors falling due within one year	-	(311,946)	-	(311,946)
Defined benefit pension liability	-	(11,000)	-	(11,000)
	-	3,888	921,411	925,299

16 Pensions and similar obligations

The academy trust'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 the Isle of Wight Council. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2014 and of the LGPS 31 March 2013.

No pension contributions were outstanding at the year end.

Teachers' Pension Scheme

Introduction

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

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16 Pensions and similar obligations

(Continued)

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

Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

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

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to the TPS in the period amounted to £104,929 (2014: £nil).

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The agreed contribution rates for future years are 20.7% for employers and 6% for employees.

There have been minimal contributions to the scheme for the year, as the school was in a pre-opening period. Any potential pension fund liability will be immaterial until the school is fully opened, and more staff are employed.

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.

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16	Pensions and similar obligations		(Continued)
	Contributions made	2015	2014
		£	£
	Employer's contributions	35,000	-
	Employees' contributions	10,000	-
		<hr/>	<hr/>
	Total contributions	45,000	-
		<hr/>	<hr/>

**ISLAND COMMUNITY SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2015**

16 Pensions and similar obligations

(Continued)

Principal actuarial assumptions	2015	2014
	%	%

Rate of increase in salaries	4.6	
Rate of increase for pensions in payment	2.7	
Discount rate for scheme liabilities	3.8	

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

	2015	2014
	Years	Years
Retiring today		
- Males	22.4	
- Females	24.5	
Retiring in 20 years		
- Males	23.8	
- Females	26.7	

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

	2015	2015	2014	2014
	Expected	Fair value	Expected	Fair value
	return		return	
	%	£	%	£
Equities	3.8	30,000		-
Bonds	3.8	13,000		-
Property	3.8	3,000		-
Total market value of assets		46,000		-
Present value of scheme liabilities - funded		(57,000)		-
Net pension asset / (liability)		(11,000)		-

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FOR THE YEAR ENDED 31 AUGUST 2015**

16	Pensions and similar obligations	(Continued)	
Amounts recognised in the statement of financial activities			
		2015	2014
		£	£
Operating costs/(income)			
Current service cost (net of employee contributions)		13,000	-
Past service cost		-	-
Total operating charge		13,000	-
Finance costs/(income)			
Expected return on pension scheme assets		(1,000)	-
Interest on pension liabilities		1,000	-
Net finance costs/(income)		-	-
Total charge/(income)		13,000	-
Actuarial gains and losses recognised in the statement of financial activities			
		2015	2014
		£	£
Actuarial (gains)/losses on assets: actual return less expected		-	-
Experience (gains)/losses on liabilities		(2,000)	-
(Gains)/losses arising from changes in assumptions		-	-
Total (gains)/losses		(2,000)	-
Cumulative (gains)/losses to date		(2,000)	-
Movements in the present value of defined benefit obligations			
		2015	2014
		£	£
Current service cost		(48,000)	-
Interest cost		(1,000)	-
Contributions by employees		(10,000)	-
Actuarial gains/(losses)		2,000	-
At 31 August 2015		(57,000)	-

**ISLAND COMMUNITY SCHOOL
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FOR THE YEAR ENDED 31 AUGUST 2015**

16	Pensions and similar obligations	(Continued)	
	Movements in the fair value of scheme assets	2015	2014
		£	£
	Expected return on assets	1,000	-
	Contributions by employers	35,000	-
	Contributions by employees	10,000	-
	At 31 August 2015	46,000	-
	History of experience gains and losses		2015
			£
	Present value of defined benefit obligations		(57,000)
	Fair value of share of scheme assets		46,000
	Surplus / (deficit)		(11,000)
	Experience adjustment on scheme assets		-
	Experience adjustment on scheme liabilities		2,000
17	Reconciliation of net income to net cash inflow/(outflow) from operating activities	2015	2014
		£	£
	Net income	825,846	31,786
	Capital grants and similar income	(1,023,942)	-
	Investment income	(153)	-
	Defined benefit pension costs less contributions payable	13,000	-
	Depreciation of tangible fixed assets	69,587	-
	Losses/(profits) on disposals of fixed assets	6,480	-
	(Increase)/decrease in debtors	(146,397)	(65,390)
	Increase/(decrease) in creditors	(23,426)	333,927
	Net cash inflow/(outflow) from operating activities	(279,005)	300,323

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FOR THE YEAR ENDED 31 AUGUST 2015

18	Reconciliation of net cash flow to movement in net funds	2015	2014
		£	£
	Increase/(decrease) in cash	28,872	19,063
	Net funds at 1 September 2014	86,175	67,112
		<u> </u>	<u> </u>
	Net funds at 31 August 2015	115,047	86,175
		<u> </u>	<u> </u>

19	Analysis of net funds	At 1 September 2014	Cash flows	Non-cash changes	At 31 August 2015
		£	£	£	£
	Cash at bank and in hand	86,175	28,872	-	115,047
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

20 **Commitments under operating leases**

At 31 August 2015 the academy trust had annual commitments under non-cancellable operating leases as follows:

	2015	2014
	£	£
Expiry date:		
- Between two and five years	14,004	9,336
	<u> </u>	<u> </u>

21 **Related parties**

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

During the period the School purchased one musical instrument through the Island Auction Rooms, a business operated by My Warren Riches, the Chair of Governors. A total of £118 was paid by the school.

22 **Members' liability**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £1 for the debts and liabilities contracted before he or she ceases to be a member.