

REGISTRAR OF COMPANIES

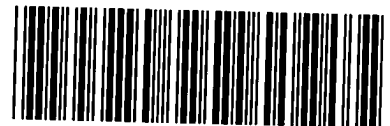
Harris Federation

**Consolidated report and
financial statements**

Year to 31 August 2017

Company limited by guarantee
registration number
06228587 (England and Wales)

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Reference and administrative information

Members	Lord Harris of Peckham Mr P Jacobs Mr P J Saunders
Directors	Lord Harris of Peckham Mr R Alcock Mr A P Bayon Ms D Deakin-Elliott Mr K J Hoods Ms A Kail Mr T D Moore Sir Dan Moynihan Dr N Rata Mr P J Saunders Ms R Wilton
Senior Management Team	Sir Dan Moynihan Mr M Antoniou Mr T Webster Ms S Hasan Mr A Meighen Ms S Musgrove Mrs S Miles Ms C English
Secretary	Mr M Antoniou
Registered office	4 th Floor Norfolk House Wellesley Road Croydon CR0 1LH
Company registration number	06228587 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	National Westminster Bank plc 30 Tooting High Street London SW17 0XN
Solicitors	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP

Directors' report Year to 31 August 2017

The directors of Harris Federation, who are also trustees for the purposes of the Charities Act 2011, present their report and the audited financial statements of the Harris Federation (the Federation) and its three subsidiary companies; Harris Academies Project Management Limited, HCTC Enterprises Limited and Harris Professional Services Limited, together 'the group', for the year to 31 August 2017. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 30 to 36 and comply with the charitable company's memorandum and articles of association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and principal activities

The Federation is a company limited by guarantee, incorporated under Company Number 06228587. The Federation's Memorandum and Articles of Association are the primary governing documents of the Federation.

As at 31 August 2017 the Federation was made up of 40 open academies. During September 2017 four additional academies joined the Federation.

The Federation was incorporated on 26 April 2007. These financial statements for the Federation, which cover the year to 31 August 2017, aggregate the activities of the 40 member academies (excluding Chobham School Academy (Stratford) as it is a separate legal entity).

The principal activity of the Federation is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad curriculum with a strong emphasis on, but in no way limited to one or a combination of specialisms.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Members

The members of the company are the Principal Sponsor and two persons nominated by the Principal Sponsor.

Every member of the company undertakes to contribute such amount as may be required (not exceeding £10) to the company's assets if it should be wound up while he or she is a member or within one year after he or she ceases to be a member, for payment of the company's debts and liabilities arising before he or she ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of rights of the contributories among themselves.

Directors' indemnities

In accordance with normal commercial practice the Federation has purchased insurance to protect directors, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Federation business. The insurance provides cover up to £2 million on any one claim.

Method of recruitment and appointment or election of directors

The articles of association require the appointment of at least three directors (unless otherwise determined by ordinary resolution). The directors of the company are also trustees of the charity. The directors delegate a number of functions to the local governing body ("LGB") of each Academy.

The Principal Sponsor may, by notice in writing to the Federation delivered to the registered office, appoint up to twelve directors.

In several cases, the Chairman of each LGB, for as long as he or she remains in office as such, shall be an Academy director ex officio provided that the total number of Academy directors shall not exceed twenty.

The term of office for any director (other than the Principal Sponsor and the Chief Executive) shall be three years. Any director may be re-appointed at the end of their term of office.

Policies and procedures adopted for the induction and training of directors

The training and induction provided for new directors depends on their existing experience. The Federation has adopted a common policy for the induction and training of both the directors and the governors who sit on the local governing bodies. New governors are briefed in the structure and ethos of the Federation and their role within it by the CEO. In house training in financial and legal matters is provided by the Finance Director and his team. Training in Safer Recruitment, for governors monitoring safeguarding, and in Health & Safety is provided both in house and by external courses organised and paid for by the Federation. All directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as directors.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure

The following directors were in office at 31 August 2017 and served throughout the period except as stated:

Director	Appointed/Resigned
Lord Harris of Peckham	
Mr R Alcock	
Mr A P Bayon	
Ms D Deakin-Elliott	Appointed 1 January 2017
Mr K J Hoods	
Mrs A Kail	
Mr T D Moore	
Mr K Morley	Resigned 31 August 2017
Sir Dan Moynihan	
Mr N Rata	
Mr P J Saunders	
Ms R Wilton	

During the period under review the directors held three full meetings including full board reports.

Subsidiary companies

The Federation has three wholly owned subsidiary companies:

- ♦ Harris Academies Project Management Limited was incorporated in 2007;
- ♦ HCTC Enterprises Limited was incorporated in 1994; and
- ♦ Harris Professional Services Limited was incorporated in 2012.

The purpose and activity of each company is described in the notes to the financial statements.

Management

The board of directors of the Federation is responsible for setting general policy, adopting an annual plan and budget, and monitoring the Federation by use of budgets and reports and making major decisions about the direction of the Federation, capital expenditure and senior staff appointments.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Management (continued)

Each Academy has its own local governing body with the Chair of that Academy being a director of the Federation in several cases. Each local governing body has responsibility for setting policy, within the constraints of Federation policies, and recommending annual plans and budgets at the Academy to the Federation Board of directors.

The directors delegate the day to day responsibility of running the Federation to Sir Dan Moynihan (CEO). The day to day running of individual Academies is delegated by each local governing body to the Principal.

Arrangements for setting pay and remuneration of key management personnel

The pay and remuneration of key management personnel is set by the Remuneration Committee which includes the Chairman of the Board. The pay and remuneration of the Chief Executive Officer is determined by the Remuneration Committee.

Related parties and other connected charities and organisations

Chobham School Academy (Stratford) is run by the Harris Federation and sponsored by Lend Lease and Nigel Hugill. The Academy site was developed by Lend Lease on behalf of the Olympic Delivery Authority. Harris Federation is responsible for running the Academy, which operates through a related academy trust, Chobham School Academy (Stratford) (Company registration number: 06846720, England and Wales).

OBJECTIVES AND ACTIVITIES

Objects, aims and objectives

The aim of the Federation is to operate as a group of collaborating Academies for the benefit of young people. Academies are geographically close which gives the Federation the opportunity to build a joint purpose, encourage healthy competition and share the best ideas.

The Sponsor's vision is that, rather than working in isolation, the Harris Academies will work together as a federation. This will enable the schools to use their combined resources and collective expertise in order to assist each other and so raise standards faster than would be the case with schools working in isolation.

Public benefit

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

OBJECTIVES AND ACTIVITIES (continued)

Equal opportunities policy

The directors recognise that equal opportunities should be an integral part of good practice within the workplace. The Federation has established 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.

Employee involvement

Harris Federation encourage staff contributions at all levels and close collaboration between the academies; principals / head teachers also meet regularly to share knowledge and best practice. The Federation intranet provides information and access to internal and external professional development and support. Academies hold regular meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during the school year.

Disabled persons

Lifts, ramps and disabled toilets have been installed and door widths have been enlarged to enable wheelchair access to all the main areas of the academies where possible. The policy of the Federation is to support the employment of disabled persons both in recruitment and by retention of employees who become disabled whilst in the employment of the academies, as well as generally through training and career development.

STRATEGIC REPORT

Achievements, performance and plans for future periods

Introduction and overview of the 2016-2017 Year

In September 2016 Harris Federation opened four new Academies. Two of these were previously failing schools. These were Harris Primary Academy Orpington, Harris (Secondary) Academy Orpington and Harris Academy Rainham. Additionally, the Federation opened a new free school, Harris Primary Academy Purley Way. These brought the total number of Harris Academies to 41 academies (including Chobham Academy), educating 27,000 young people in London.

During the year the Federation successfully trained 145 new teachers in its Teacher Training scheme.

Harris maintained its inspection record with every academy inspected being judged to be Good or Outstanding, with the majority judged to be Outstanding.

During the year the following schools were inspected:

- ◆ Harris Academy Beckenham
- ◆ Harris Invictus Academy Croydon

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Introduction and overview of the 2016-2017 Year (continued)

- ◆ Harris Primary Academy East Dulwich
- ◆ Harris Primary Academy Haling Park
- ◆ Harris Primary Academy Mayflower
- ◆ Harris Primary Academy Merton
- ◆ Harris Primary Academy Shortlands
- ◆ Harris Primary Free School Peckham
- ◆ Harris Westminster Sixth Form
- ◆ Harris Academy Tottenham

Key Success of Harris in 2016-17

- ◆ 24 of our inspected academies are 'outstanding' and 11 are 'good'.
- ◆ Harris academies are three times more likely to be 'outstanding' than schools nationally.
- ◆ Of 27 academies that joined us because they had previously been considered to be failing, 18 have become 'outstanding' and the other nine are 'good'.

In their 2016 performance measures for Multi Academy Trusts (MATs), the Department for Education said that:

- ◆ At Secondary, our Progress 8 score was the highest of any large MAT.
- ◆ Our Primary academies were 'significantly above average' in all three performance measures: we are one of just six out of 95 MATs to have achieved this.

Research Reports Praising Harris

- ◆ A fourth consecutive annual report by academic researchers at social mobility charity the Sutton Trust concluded that Harris is among the top academy trusts for improving the prospects of disadvantaged pupils.
- ◆ Lower ability pupils are five times more likely to achieve the English Baccalaureate with the Harris Federation than they are nationally.
- ◆ Not only do disadvantaged children in Harris primary academies outperform disadvantaged children nationally, they also outperform non-disadvantaged children.

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Research Reports Praising Harris (continued)

- ◆ The Education Policy Institute reported that in 2016 Harris Primaries were the top performing group of primary schools in the country with children making the equivalent of one and a half terms more progress than similar children nationally.

Harris Primary Performance

- ◆ In Summer 2017, Harris primaries scored a 76% pass rate in the Year 6 tests compared to 61% nationally.
- ◆ At the Harris Federation, 70% of all disadvantaged students within our primary schools achieved the expected standard in Reading, Writing and Mathematics at Key Stage 2. This compares to just 39% of disadvantaged students nationally who achieve the expected standard and left primary school secondary ready. When compared to all students nationally, where just 61% of met the expected standard, this is 9% lower than the achievements of our disadvantaged students within the Harris Federation.

Harris Secondary Performance

Harris secondary pupils are achieving success based on a core curriculum of academic subjects:

- ◆ In 2010, the average English Baccalaureate score for the secondary schools (including predecessor schools) that now make up the Harris Federation was just 7%. This was five times higher in 2017, at 35%. The national average is just 23%.
- ◆ In 2016, national data shows that disadvantaged students at age 16 had an average Progress 8 score of -0.38. In 2017, disadvantaged students across Harris Federation attained a Progress 8 score of +0.44. Put into context, disadvantaged students within the Federation achieve on average almost seven grades higher across their best 8 subjects than disadvantaged students do nationally.

Sixth Form Success 2017

- ◆ In 2017, over 50% of Harris Westminster sixth formers went on to study at Russell Group Universities, with **16 students going to Oxford or Cambridge** and 8 into medicine.
- ◆ 16% of Harris sixth formers won places at Russell Group universities in 2016, compared to 12% nationally.

STRATEGIC REPORT (continued)

Future Plans

In September 2017 four new Academies were added taking the size of the group to 44. Harris will continue to expand incrementally as opportunities arise and depending on maintaining good levels of performance. We will focus on turn-around of failing schools as well as on new free schools.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Federation 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 Principal Accounting Policies.

Financial review

Financial report for the year

Most of the Federation's income comes from the Education and Skills Funding Agency (ESFA), in the form of recurrent grants for particular purposes. These grants and the associated expenditure are shown as restricted funds in the consolidated statement of financial activities.

The Federation also receives grants for fixed assets from the Department for Education (DfE). In accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (the Charities SORP 2015), these grants are shown in the statement of financial activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2017, total income (excluding fixed asset fund income) was £168,290,000 (2016 - £153,518,000) and total expenditure (excluding depreciation) was £180,639,000 (2016 - £158,084,000). The excess of expenditure over income across 40 schools for the period (excluding restricted fixed asset funds and before transfers and the pension scheme actuarial movement) was £12,349,000 (2016 - £4,566,000 across 36 schools).

At 31 August 2017 the net book value of fixed assets was £422,819,000 (2016 - £379,282,000). These assets were used exclusively for providing education to the Federation's pupils and related support services.

Financial and risk management objectives and policies

Harris Federation has cash balances and other working capital balances. The main risk arising from the use of financial instruments is liquidity-risk.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial and risk management objectives and policies (continued)

Liquidity risk

The charitable company manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing. Surplus cash is invested through appropriate use of financial instruments with our principal bankers so as to maximise interest income without incurring undue risk.

Interest rate risk

In the absence of borrowings and with low prevailing interest rates, the company is not exposed to significant interest rate risk.

Other risks

The group is exposed to price risks, but is funded by government on the same basis as other academies and budgets accordingly. Nearly all funding comes from government so credit risk is considered to be negligible.

Financial position and reserves policy

The Federation held fund balances at 31 August 2017 of £395,070,000 (2016 - £351,850,000) comprising £389,663,000 (2016 - £347,036,000) of restricted funds including a pension reserve deficit of £36,352,000 (2016 - £38,601,000) and £5,407,000 (2016 - £4,814,000) of unrestricted general funds.

The unrestricted general funds form part of the Federation's revenue reserves. Total revenue reserves, which exclude the fixed asset fund of £422,819,000 (2016 - £379,282,000) and the pension reserve deficit of £36,352,000 (2016 - £38,601,000), were £8,603,000 as at 31 August 2017 (2016 - £11,169,000). This equates to an average of £215,000 per school (2016 - £310,000 per school). This is equal to approximately 0.57 months' revenue expenditure and the directors consider that this is sufficient for the working capital and operational needs of the Federation based on historic levels of activity.

Given the current expansion of the Federation, these requirements are not fixed. The directors plan to retain between 3% and 5% of recurrent income each year. The directors will keep the level of reserves under review.

Investment policy

The Harris Federation policy is to not operate an investment programme. The funds are held as cash with large listed banks.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

Risk management

The directors are responsible for identifying risks faced by the Federation, assessing the likelihood of the risk occurring and its potential impact, and taking steps to mitigate and control these risks, and ensuring that employees are aware of any risk management procedures and of the implications of failing to implement them. They are satisfied that these procedures are consistent with guidelines issued by the Charity Commission.

The directors acknowledge they have overall responsibility for ensuring that the Federation has an effective and appropriate system of controls, financial and otherwise. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Federation and enable them to ensure the financial statements comply with the Companies Act. The directors also acknowledge responsibility for safeguarding the assets of the Federation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- ◆ the Federation is operating efficiently and effectively;
- ◆ its assets are safeguarded against unauthorised use or disposition;
- ◆ proper records are maintained and financial information used within the Federation or for its publication is reliable; and
- ◆ the Federation complies with relevant laws and regulations.

The risks identified are recorded in the Federation Risk Register which is prepared annually and reviewed at every meeting of the Audit Committee. Risks are classified as Strategic, Reputational and Governance; Financial; Operational; and Compliance.

The directors have assessed the major risks and uncertainties to which the Harris Federation is exposed, in particular:

- ◆ The impact of increased staff costs caused by rises in National Insurance Contributions rates and the increased cost of pension provision both as a result of changes in Government policy; the impact is being addressed by several cost saving initiatives including the pooling of resources and a purchasing strategy designed to maximise the advantages of the economies of scale.
- ◆ Demographic trends that mean that despite the overall increase in the school population some academies are at risk of being undersubscribed. This is being addressed by Public Relations initiatives to promote the values, resources and achievements of individual academies and the Federation as a whole to attract students.

Directors' report Year to 31 August 2017

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Risk management (continued)


- ◆ The nationwide shortage of qualified teachers. This is being addressed by developing a Recruitment and Retention resource within the Federation and the expansion of the Initial Teacher Training programme to provide more newly qualified staff to our academies.

AUDITORS

In so far as the directors are aware:

- ◆ There is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ The directors 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.

Directors' report, incorporating a strategic report, approved by order of the members of the board of directors and signed on its behalf by:

 (P SAUNDERS)

Director

Approved by the directors on: 18/12/17

Governance statement Year to 31 August 2017

Scope of responsibility

As directors, we acknowledge we have overall responsibility for ensuring that the Harris Federation 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 directors has delegated the day-to-day responsibility to the Chief Executive Officer, 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 Federation and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the directors' report and in the statement of directors' responsibilities.

As described in the directors' report, the directors delegate a number of functions to the local governing body (LGB) of each academy. These LGBs meet as appropriate, a minimum of three times, throughout the year in order to govern the affairs of the individual academies. As described in the directors' report, the chairs of several of the LGBs are also directors of the Federation. Each LGB also has a finance sub-committee which is responsible for monitoring the finances of the academy.

During financial planning for each forthcoming financial year the LGB of each academy undertakes a review of its own effectiveness comprising an assessment of its past activities, aims and objectives. The results of the review and in particular measures decided on to improve performance are incorporated into the planning cycle.

The board of directors has also formally met three times during the year. Attendance during the year at meetings of the board of directors was as follows:

Governance statement Year to 31 August 2017

Governance (continued)

Director	Number of meetings attended	Out of a possible
Lord Harris of Peckham	3	3
Mr R Alcock	3	3
Mr A P Bayon	3	3
Ms D Deakin-Elliott	2	2
Mr K J Hoods	3	3
Mrs A Kail	3	3
Mr T D Moore	3	3
Mr K Morley	3	3
Sir Dan Moynihan	3	3
Mr N Rata	3	3
Mr P J Saunders	3	3
Ms R Wilton	3	3

Governance reviews

The Federation Finance Handbook for 2016-17 in the Financial Planning section contains the following:

Each year the Governors must agree a planning cycle and timetable which allows for:

- ◆ A review of past activities, aims and objectives - "did we get it right?"
- ◆ Definition or redefinition of aims and objectives – "are the aims still relevant?"
- ◆ Development of the plan and associated budgets – "how do we go forward?"
- ◆ Implementation, monitoring and review of the plan – "who needs to do what by when to make the plan work and keep it on course":
- ◆ Feedback into the next planning cycle – "what worked successfully and how can we improve?"

The first of these objectives constitutes a review of effectiveness and will be undertaken by each Governing Body within the Federation. This phase of the planning timetable will be undertaken at the end of the Spring Term when Governors will be able to review the year to date and to incorporate the results of their review into plans for the forthcoming year.

Governance reviews (continued)

Finance Board Sub-committee

The Finance Board sub-committee is also a sub-committee of the main board of trustees. Its purpose is to assist the Board with financial oversight and risk management.

Member	Meetings attended	Out of a possible
Mr T Bayon	7	7
Mr P Jacobs	5	7
Mr K Morley	4	7
Mr P Saunders (Chair)	7	7

Audit Committee

The Audit Committee is also a sub-committee of the main board of trustees. Its purpose is to provide assurance to the trustees that adequate controls are in place to safeguard the Federation's assets and to ensure regularity and propriety in all its transactions.

Member	Meetings attended	Out of a possible
Mr T Bayon	3	3
Mr P Jacobs (Chair)	3	3
Mr K Morley	1	3
Mr P Saunders	3	3

Review of value for money

As Accounting Officer the Chief Executive has responsibility for ensuring that the Federation delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Federation's use of its resources has provided good value for money during the academic year, and reports to the board of directors where value for money can be improved, including the use on benchmarking data where available. The Accounting Officer for the Federation has delivered and improved value for money during the year as follows:

During 2016-17, the Federation undertook a major review of all non-payroll expenditure and is now developing a specialist procurement resource to support academies through achieving economies of scale and by managing key supplier relationships. Results achieved include:

Further reduction in recruitment costs by using the Federation status and scale to negotiate favourable commission rates from the main recruitment agencies.

Setting up training arrangements with a variety of providers to maximise utilisation of apprenticeship training opportunities following the introduction of the apprenticeship levy

Review of value for money (continued)

Joining the London Universities Purchasing Consortium to allow us access to several frameworks of suppliers providing services, goods and resources for educational establishments in London and the South East and combining our purchasing power with Higher Education establishments to mutual benefit.

Reviewing actual energy consumption against capacity charges that has resulted in several academies cutting the standing charges paid for the provision of energy.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Federation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Federation for the year ended 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of directors has reviewed the key risks to which the Federation is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is an ongoing process for identifying, evaluating and managing the Federation's significant risks that has been in place for the year ended 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of directors.

Governance statement Year to 31 August 2017

The risk and control framework

The Federation'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 directors;
- ◆ regular reviews by the Finance Board Sub-committee and the Audit 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; and
- ◆ identification and management of risks.

The directors have considered the need for a specific internal audit function and have appointed an internal auditor. The internal auditor reported to the Audit Committee during the year.

The role of the internal auditor is to evaluate and test the financial procedures so that the Audit Committee can provide assurance to the Board on financial matters and in particular that the Federation has robust internal control procedures in place and that all transactions are regular and represent best value for money.

This is primarily achieved through a programme of visits to each of the member academies to perform checks on internal controls and adherence to the Federation's Financial Procedures Manual.

Review of effectiveness

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

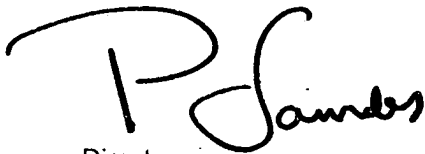
- ◆ the work of the internal and external auditors including the additional checks by the external auditors described above;
- ◆ the financial management and governance self assessment process; and
- ◆ the work of the Senior Management Team within the Federation who have responsibility for the development and maintenance of the internal control framework.

Governance statement Year to 31 August 2017

Review of effectiveness (continued)

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

Approved by order of the members of the board of directors and signed on its behalf by:



Director

Date: 18/12/17



Accounting Officer

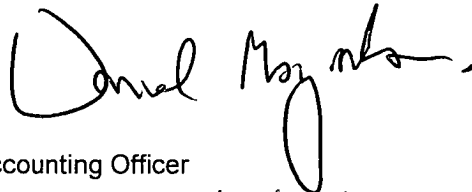
Date: 18/12/17

Statement on regularity, propriety and compliance 31 August 2017

As Accounting Officer of Harris Federation, I have considered my responsibility to notify the Federation board of directors and the ESFA of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Federation and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Federation board of directors are able to identify any material irregular or improper use of funds by the Federation, or material non-compliance with the terms and conditions of funding under the Federation's funding agreement and the Academies Financial Handbook 2016.

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 directors and the ESFA.



Accounting Officer

(DAN MOYNIHAN)

18/12/17

Statement of directors' responsibilities 31 August 2017

The directors (who act as trustees for the charitable activities of the Federation) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law, the directors 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 Federation and of its income and expenditure for that period. In preparing these financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Federation will continue in operation.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Federation's transactions and disclose with reasonable accuracy at any time the financial position of the Federation 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 Federation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

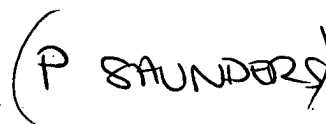
The directors are responsible for ensuring that in its conduct and operation the Federation applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA have been applied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

The directors are responsible for the maintenance and integrity of the charity and financial information included on the Federation'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 directors and signed on its behalf by:



Director



Date:

18/12/17

Independent auditor's report to the members of Harris Federation

Opinion

We have audited the financial statements of Harris Federation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the group statement of financial activities, the group and charitable parent company balance sheets and statements of cash flows, the principal accounting policies and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP 2015) and the Academies Accounts Direction 2016 to 2017.

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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 August 2017 and of the group's 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 Charities SORP 2015 and Academies Accounts Direction 2016 to 2017.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report on the financial statements 31 August 2017

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ◆ the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the directors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the directors' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report including the strategic report.

Matters on which we are required to report by exception (continued)

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

- ◆ adequate accounting records have not been kept by the charitable parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent company financial statements are not in agreement with the accounting records or returns; or
- ◆ certain disclosures of directors' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

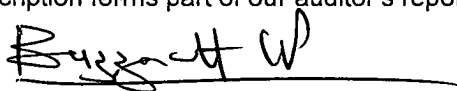
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the charitable parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the charitable parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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

20 December 2017

Independent reporting accountant's assurance report on regularity to Harris Federation and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 3 October 2016 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Harris Federation during the period from 1 September 2016 to 31 August 2017 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 Harris Federation and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Harris Federation and the ESFA 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 Harris Federation and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Harris Federation's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Harris Federation's master funding agreement with the Secretary of State for Education dated 31 August 2007 and the Academies Financial Handbook, extant from 1 September 2016, 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 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2016 to 31 August 2017 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 2016 to 2017 issued by the ESFA. 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.

Independent reporting accountant's report on regularity 31 August 2017

Approach (continued)

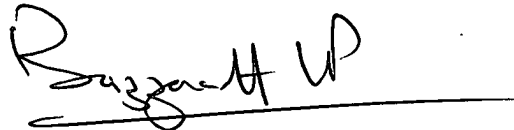
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Federation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

20 December 2017

Consolidated statement of financial activities Year to 31 August 2017

(including Consolidated Income and Expenditure Account)

	Notes	Un- restricted general fund £'000	Restricted funds		2017 Total Funds £'000	2016 Total Funds £'000
			General £'000	Fixed assets £'000		
Income from:						
Donations and capital grants	1	238	—	33,272	33,510	41,095
Transfer from Local Authority on conversion		1,980	(4,410)	22,643	20,213	—
Charitable activities						
Funding for Harris Federation's educational operations	3	—	163,327	—	163,327	148,701
Teaching Schools		—	2,067	—	2,067	1,179
Other trading activities	2	1,825	530	—	2,355	1,748
Interest receivable		33	—	—	33	86
Other	4	—	2,725	—	2,725	1,804
Total income		4,076	164,239	55,915	224,230	194,613
Expenditure on:						
Charitable activities						
Harris Federation's educational operations	6	3,245	175,144	11,930	190,319	167,064
Teaching Schools		—	1,922	—	1,922	916
Total expenditure	5	3,245	177,066	11,930	192,241	167,980
Net income (expenditure) before transfers		831	(12,827)	43,985	31,989	26,633
Gross transfers between funds	18	—	448	(448)	—	—
Net income (expenditure) before other recognised gains and losses		831	(12,379)	43,537	31,989	26,633
Other recognised gains and losses						
Actuarial gain (loss) on defined benefit pension scheme	21	—	11,736	—	11,736	(18,308)
Net movement in funds		831	(643)	43,537	43,725	8,325
Fund balances brought forward at 1 September 2016		4,814	(32,246)	379,282	351,850	343,525
Fund balance carried forward at 31 August 2017		5,645	(32,889)	422,819	395,575	351,850

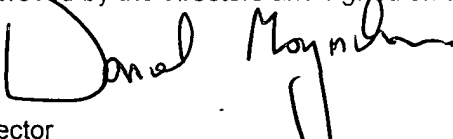
All of the group's activities derived from continuing operations during the above financial periods. There is no difference between the net movement in funds stated above, and its historical cost equivalent.

The results of Harris Academies Project Management Limited, HCTC Enterprises Limited and Harris Professional Services Limited have been consolidated within the financial statements of Harris Federation.

Balance sheets 31 August 2017

	Notes	2017		2016	
		Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Tangible assets	12	422,819	422,819	379,282	379,277
Current assets					
Debtors	16	19,088	18,827	15,447	15,796
Stock		43	43	75	75
Cash at bank and in hand		23,715	23,598	26,559	26,086
		42,846	42,468	42,081	41,957
Creditors: amounts falling due within one year	17	(33,738)	(33,460)	(30,912)	(30,876)
Net current assets		9,108	9,008	11,169	11,081
Net assets excluding pension liability		431,927	431,827	390,451	390,358
Pension scheme liability	21	(36,352)	(36,352)	(38,601)	(38,601)
Total net assets		395,575	395,475	351,850	351,757
The funds of the academy:					
Funds and reserves					
Restricted funds					
Fixed asset fund	18	422,819	422,819	379,282	379,277
Restricted income fund		3,463	3,463	6,355	6,355
Pension reserve		(36,352)	(36,352)	(38,601)	(38,601)
		389,930	389,930	347,036	347,031
Unrestricted funds	18	5,645	5,545	4,814	4,726
		395,575	395,475	351,850	351,757

Approved by the directors and signed on their behalf by:


Director

(DAN MOYNIHAN)

Approved on: 18/12/17

Harris Federation

Company Registration Number: 06228587 (England and Wales)

Consolidated statement of cash flows Year to 31 August 2017

		2017 £'000	2016 £'000
Net cash inflow from operating activities			
Net cash provided by (used in) operating activities	A	(5,942)	(7,532)
Cash flows from investing activities	B	3,098	(2,017)
Change in cash and cash equivalents in the year		<u>(2,844)</u>	<u>(9,549)</u>
Reconciliation of net cash flow to movement in net funds:			
Cash and cash equivalents at 1 September 2016		26,559	36,108
Cash and cash equivalents at 31 August 2017	C	<u>23,715</u>	<u>26,559</u>

A Reconciliation of income (expenditure) to net cash flow from operating activities

	2017 £'000	2016 £'000
Net income (expenditure) for the year (as per the statement of financial activities)	31,989	26,633
Adjusted for:		
Inherited land and buildings	(22,643)	—
Cash transferred in conversion	(1,980)	—
Depreciation (note 12)	11,930	9,896
Loss on disposals	2	—
Capital grants from DfE and other capital income	(33,120)	(41,095)
Interest receivable	(33)	(86)
Defined benefit pension scheme obligation inherited	4,410	—
Defined benefit pension scheme cost less contributions payable (note 21)	4,430	1,423
Defined benefit pension scheme finance cost (note 21)	541	677
Defined benefit pension scheme administration cost (note 21)	107	28
(Increase) decrease in stocks	32	78
(Increase) decrease in debtors	(1,180)	(4,121)
Increase (decrease) in creditors	(427)	(965)
Net cash provided by (used in) operating activities	<u>(5,942)</u>	<u>(7,532)</u>

Consolidated statement of cash flows Year to 31 August 2017

B Cash flows from investing activities

	2017 £'000	2016 £'000
Cash transferred on conversion	1,980	—
Dividends, interest and rents from investments	31	86
Purchase of tangible fixed assets	(29,573)	(42,895)
Capital grants from DfE/ESFA	30,660	40,792
Net cash provided by (used in) investing activities	3,098	(2,017)

C Analysis of cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	23,715	26,559
Total cash and cash equivalents	23,715	26,559

Statement of accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Basis of preparation

The financial statements of the academy trust have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Harris Federation meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in sterling to the nearest thousand pounds.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of the company and those of its subsidiaries made up at the balance sheet date.

No separate statement of financial activities has been presented for Harris Federation alone, as permitted by section 408 of the Companies Act 2006 and SORP 2015.

Staff at Chobham Academy are employed by Harris Federation and the academy makes a contribution to the Federation's overheads in line with other member academies. These costs are charged to Chobham Academy (Company Registration Number 0684720), which is not consolidated in these financial statements as it is not directly controlled by Harris Federation.

Going concern

The trustees 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 trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All income is recognised when the Federation has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

The General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement 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. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Where an asset is being constructed under the ESFA Free School or Priority Schools Building Programme, the Federation recognises the value of the work completed as an asset under construction at the balance sheet date. On completion and handover of the asset, it is transferred to the relevant asset class and depreciated.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services. This is stated, where applicable, after trade discounts, other sales taxes and net of VAT.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

These are costs incurred on the group's educational operations, including support costs and costs relating to the governance of the Federation apportioned to charitable activities.

All resources expended are stated net of recoverable VAT.

Tangible fixed assets

All IT equipment costing more than £500 and all other assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use at the following annual rates:

- | | |
|-----------------------------------------|----------|
| ♦ Freehold and long leasehold buildings | 2% p.a |
| ♦ Furniture and equipment | 25% p.a. |
| ♦ Computer equipment | 33% p.a. |
| ♦ Motor vehicles | 25% p.a. |

Freehold land is not depreciated.

Where fixed assets have been acquired with the aid of specific grants, they are included in the balance sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (on the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Tangible fixed assets (continued)

Grants provided to acquire fixed assets may be paid either to the Federation or directly to meet the cost of the fixed asset. Where costs have been paid directly and are part of the capital project, they have been recognised as restricted fixed asset funding.

The cost of buildings constructed under the UK Government's programmes as funded by Local Authorities, are recognised in the statement of financial activities as voluntary income in the period in which the Federation takes ownership of these buildings.

The cost of buildings that were not previously capitalised as part of capital projects at the Academies are introduced at an amount valued by the ESFA.

Investments

The company's shareholding in its wholly owned subsidiaries, Harris Academies Project Management Limited, HCTC Enterprises Limited and Harris Professional Services, are included in the company's balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

Debtors

Debtors are recognised at their settlement amount less any provision for non-recoverability. Prepayments are valued at the amounts prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand. Notice deposits are included on the balance sheet as short term deposits.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Federation anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Leased assets

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

Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

Financial instruments (continued)

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 16. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 17. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

Private Finance Initiative

Harris Academy Morden is subject to a contract under the Private Finance Initiative (PFI). Under this contract, the school premises are maintained and managed for a period of 25 years by the PFI contractor subject to contractual annual fees paid by the Academy. Upon expiry of the PFI contract the residual benefit of the premises passes to the Academy as a result of a 125 year lease granted to them.

The transaction is accounted for as a leasing transaction. As the Academy only enjoys the benefits of the premises subject to the restrictions under the PFI agreement, in the opinion of the directors, the Academy does not hold substantially all of the risks and rewards of ownership of the premises and the property is therefore accounted for as an operating lease. The premises are therefore not recognised as asset in the financial statements of Harris Federation. The annual charges under the PFI agreement are expensed to the Statement of Financial Activities in the year they relate to as this treatment is considered to be more appropriate than recognition on a strict straight line basis.

Stock

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

Taxation

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

Pensions benefits

Retirement benefits to employees of the Federation are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Federation 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 quadrennial valuations using a prospective unit credit method. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund accounting

The unrestricted general fund represents monies which may be applied for any purpose within the company's objects at the discretion of the directors.

Restricted funds are grants from the DfE and other donors which are to be used for specific purposes.

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

Schools joining the Federation

Schools joining the Federation transfer identifiable assets and liabilities and the operation of the predecessor School for £nil consideration, which has been accounted for under the acquisition accounting method.

Schools joining the Federation (continued)

The assets and liabilities transferred on conversion from the predecessor school to the Federation have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Federation. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The net book value of tangible fixed assets is based on the original cost of the assets net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.

Critical areas of judgement

Other than the estimates discussed above, the governors do not consider that there are any key judgements made in the preparation of the financial statements.

1 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Donations	238	—	238	—
Capital grants	—	33,272	33,272	41,095
	238	33,272	33,510	41,095

2 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Lettings and other income	1,825	—	1,825	1,359
School uniform and book sales income	—	530	530	389
	1,825	530	2,355	1,748

3 Funding for Harris Federation's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
ESFA revenue grants				
General Annual Grant (GAG)	—	139,652	139,652	124,857
Start Up	—	1,147	1,147	1,422
Other ESFA grants	—	12,666	12,666	11,798
	—	153,465	153,465	138,077
Other grants				
LEA and other grants	—	9,862	9,862	10,624
	—	163,327	163,327	148,701

4 Other income

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Academy trips	—	691	691	566
Rebates	—	—	—	28
Primary clubs	—	600	600	419
Sundry income	—	1,434	1,434	791
	—	2,725	2,725	1,804

Notes to the financial statements 31 August 2017

5 Expenditure

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2017 £'000	Restated Total 2016 £'000
Academy's educational operations (note 6)					
. Direct costs	119,128	11,930	13,684	144,742	132,922
. Allocated support costs	25,205	11,565	8,807	45,577	34,142
Teaching School	1,161	140	621	1,922	916
	145,494	23,635	23,112	192,241	167,980

Net income (expenditure) for the period includes:

	2017 £'000	2016 £'000
Operating lease rentals	797	858
Depreciation	11,930	9,896
Fees payable to auditor for:		
. Audit	75	99
. Other services	35	54

6 Harris Federation's educational operations

	2017 Total funds £'000	2016 Total funds £'000
Direct costs	144,742	132,922
Support costs	45,577	34,142
	190,319	167,064

	2017 Total funds £'000	2016 Total funds £'000
Analysis of support costs		
Support staff costs	25,205	17,259
Technology costs	180	153
Premises costs	11,565	9,568
Other support costs	8,166	6,729
Governance costs	461	433
Total support costs	45,577	34,142

Notes to the financial statements 31 August 2017

7 Comparative information

Analysis of income and expenditure in the year ended 31 August 2016 between restricted and unrestricted funds:

	Un-restricted general fund £'000	Restricted funds		2016 Total Funds £'000
		General £'000	Fixed assets £'000	
Income from:				
Donations and capital grants	—	—	41,095	41,095
Transfer from Local Authority on conversion	—	—	—	—
Charitable activities				
· Funding for Harris Federation's educational operations	—	149,880	—	149,880
Other trading activities	1,359	389	—	1,748
Interest receivable	86	—	—	86
Other	—	1,804	—	1,804
Total income	1,445	152,073	41,095	194,613
Expenditure on:				
Charitable activities				
· Harris Federation's educational operations	1,430	156,654	9,896	167,980
Total expenditure	1,430	156,654	9,896	167,980
Net income (expenditure) before transfers	15	(4,581)	31,199	26,633
Gross transfers between funds	—	(2,452)	2,452	—
Net income (expenditure) before other recognised gains and losses	15	(7,033)	33,651	26,633
Other recognised gains and losses				
Actuarial (loss) gain on defined benefit pension scheme	—	(18,308)	—	(18,308)
Net movement in funds	15	(25,341)	33,651	8,325
Fund balances brought forward at 1 September 2015	4,799	(6,905)	345,631	343,525
Fund balance carried forward at 31 August 2016	4,814	(32,246)	379,282	351,850

Notes to the financial statements 31 August 2017

8 Staff

a) Staff costs

Staff costs during the year were as follows:

	2017 Total funds £'000	2016 Total funds £'000
Wages and salaries	106,704	95,513
Social security costs	11,053	8,629
Pension contributions	19,023	14,282
Apprenticeship levy	204	—
	136,984	118,424
Supply staff costs	4,527	5,127
Recruitment and other staff related costs	3,320	3,368
Restructuring costs	663	396
Total staff costs	145,494	127,315

Staff restructuring costs comprise	2017 £'000	2016 £'000
Redundancy payments	470	189
Severance payments	193	148
Other restructuring costs	—	59
	663	396

b) Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £193,050 (2016 - £188,685). The non-statutory/non-contractual payments individually were for £39,600; £34,000; £20,000; £19,700; £15,250; £9,316; £8,850; £7,525; £7,250; £7,250; £5,400; £5,311; £5,200; £3,204; £2,065; £1,080; £886; £858 and £304.

c) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2017 was as follows:

Activities	2017 Number	2016 Number
Teachers	1,526	1,363
Administration and support	1,446	1,307
Management	253	201
School sports partnership	3	2
	3,228	2,873

8 Staff (continued)

d) Higher paid staff

The number of employees who earned more than £60,000 per annum (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2017 Number	2016 Number
£60,001 - £70,000	106	80
£70,001 - £80,000	30	32
£80,001 - £90,000	18	10
£90,001 - £100,000	5	9
£100,001 - £110,000	2	4
£110,001 - £120,000	5	4
£120,001 - £130,000	7	2
£130,001 - £140,000	1	5
£140,001 - £150,000	4	2
£150,001 - £160,000	3	—
£160,001 - £170,000	1	2
£170,001 - £180,000	—	2
£190,001 - £200,000	2	—
£200,001 - £210,000	—	1
£210,001 - £220,000	—	1
£230,001 - £240,000	1	—
£240,001 - £250,000	1	1
£260,001 - £270,000	1	—
£420,001 - £430,000	—	1
£440,001 - £450,000	1	—
	188	156

All of the above employees earning more than £60,000 per annum participated in either the Teachers' Pension Scheme or the Local Government Pension Scheme.

e) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £2,453,475 (2016: £1,961,703).

The pay and remuneration of key management personnel is set by the Remuneration Committee which includes the Chairman of the Board. The pay and remuneration of the Chief Executive Officer is determined by the Remuneration Committee.

9 Directors' emoluments and expenses

One director has been paid remuneration and employer's pension contributions from full time employment with the Federation.

The employed director only receives remuneration in respect of services they provide undertaking the roles under their contract of employment and not in respect of their services as director. The value of director's remuneration and other benefits was as follows:

Chief Executive Officer:

- ◆ Remuneration £440,000 - £445,000 (2016: £420,000 - £425,000).
- ◆ Employer's pension contributions £50,000 - £55,000 (2016: £50,000 - £55,000).

No other directors of the company received any payment or other emoluments from the Federation in the period. No directors received any payment for reimbursement of travel and subsistence expenses incurred in the course of their duties as directors in the period (2016 - none).

Expenditure of £14,515 (2016 - £15,818) was incurred to purchase goods from Tapi Carpets & Floors Limited, of which Paul Jacobs is a director and Philip Saunders was a director until May 2017. Lord Harris, Paul Jacobs and Philip Saunders have an interest in the company. These goods were purchased at cost.

Other related party transactions involving the directors are set out in note 22.

10 Directors', Governors' and Officers' Insurance

In accordance with normal commercial practice the Federation has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Federation business. The insurance provides cover up to £2 million on any one claim and the cost for the year ended 31 August 2017 was £30,160 (2016 - £33,184).

11 Central services

The Federation has provided the following central services to its academies during the year:

- ◆ Human resources;
- ◆ Financial services;
- ◆ Legal services;
- ◆ Educational support services;
- ◆ IT services;
- ◆ Careers support;
- ◆ Post 16; and
- ◆ Projects/estates.

Notes to the financial statements 31 August 2017

11 Central services (continued)

The Federation charges for these services on the following basis:

Between 3.7% and 5.5% (2016 – between 3.7% and 5.5%) of School Budget Share and ESG income.

The actual amounts charged during the year were as follows:

	2017 £'000	2016 £'000
Harris Aspire Academy	26	28
Harris Academy Battersea	229	214
Harris Academy Beckenham	271	271
Harris Primary Academy Beckenham	18	9
Harris Primary Academy Benson	61	64
Harris Academy Bermondsey	314	370
Harris Academy Bromley	190	201
Harris Junior Academy Carshalton	54	52
Harris Academy Chafford Hundred	217	216
Harris Primary Academy Chafford Hundred	87	86
Harris Primary Academy Coleraine Park	90	87
Chobham Academy	418	422
Harris City Academy Crystal Palace	294	295
Harris Primary Academy Crystal Palace	69	65
Harris Boys' Academy East Dulwich	331	346
Harris Girls' Academy East Dulwich	361	372
Harris Primary Academy East Dulwich	32	25
Harris Academy Falconwood	211	211
Harris Academy Greenwich	361	372
Harris Primary Academy Haling Park	30	22
Harris Invictus Academy Croydon	108	84
Harris Primary Academy Kenley	59	60
Harris Primary Academy Kent House	71	66
Harris Primary Academy Mayflower	45	27
Harris Academy Merton	272	284
Harris Primary Academy Merton	77	78
Harris Academy Morden	182	169
Harris Academy Orpington	250	—
Harris Primary Academy Orpington	94	—
Harris Academy Peckham	342	350
Harris Primary Free School Peckham	74	59
Harris Primary Academy Peckham Park	94	94
Harris Primary Academy Philip Lane	91	77
Harris Academy Purley	242	263
Harris Primary Academy Purley Way	10	—
Harris Academy Rainham	192	—
Harris Primary Academy Shortlands	29	19
Harris Academy South Norwood	476	435
Harris Academy Tottenham	116	86
Harris Academy Upper Norwood	24	69
Harris Westminster Sixth Form	114	80
	6,626	6,028

12 Tangible fixed assets (group and company)

	Freehold land and buildings £'000	Long lease- hold land and buildings £'000	Assets under constru- ction £'000	Furniture and equip- ment £'000	Computer equip- ment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 September 2016	59,350	319,189	39,249	17,047	23,052	357	458,244
Additions	20,019	3,966	29,879	957	648	—	55,469
Disposals	—	—	—	(2)	—	—	(2)
Transfers	—	39,445	(42,262)	1,528	1,289	—	—
At 31 August 2017	79,369	362,600	26,866	19,530	24,989	357	513,711
Depreciation							
At 1 September 2016	736	43,602	—	13,669	20,627	328	78,962
Charge for period	540	7,563	—	1,941	1,869	17	11,930
At 31 August 2017	1,276	51,165	—	15,610	22,496	345	90,892
Net book values							
At 31 August 2017	78,093	311,435	26,866	3,920	2,493	12	422,819
At 31 August 2016	58,614	275,587	39,249	3,378	2,425	29	379,282

The leasehold land on which the individual academies are sited are leased from the Local Authorities at a peppercorn rent over various lease terms. No value has been placed on this land in the financial statements due to the restrictive covenants on the asset.

Harris Westminster Sixth Form resides in a building that was purchased by the ESFA. The Federation owns the freehold to the building and this is included within freehold land and buildings in the balance sheet at the value of the purchase by the ESFA. There is a legal charge over the freehold building that entitles the Secretary of State for Education to give notice to Harris Federation and for the building to revert to the government.

Assets under construction are academy buildings that have been funded from DfE capital grants.

Tangible fixed assets with a net book value of £nil (2016 - £7,678) are held in HCTC Enterprises Ltd. There are no other differences between the assets of the group and company.

Buildings transferred upon conversion

Four academies joined the Federation or opened during 2016/17 (2015/16 – one). Of these, three schools were transferred from existing academy trusts. The value of the buildings transferred on conversion is included within tangible fixed assets. Further details of this transfer are included in note 27.

13 Investments – Harris Academies Project Management Limited

The issued share capital of Harris Academies Project Management Limited, a company registered in England and Wales (Company number 588735) was transferred to the company on 21 May 2007 and Harris Academies Project Management Limited began trading on that date. The company is used for construction work on a number of Harris Federation academy buildings.

The following is a summary of the financial statements of Harris Academies Project Management Limited which have been included in the consolidated financial statements.

	2017 £'000	2016 £'000
Turnover	—	318
Cost of sales	—	—
Gross profit	—	318
Interest received	1	2
Administrative expenses	4	4
Retained profit before charitable donation under Gift Aid at 31 August 2017	5	324
Charitable donation under Gift Aid	(5)	(324)
Retained profit after charitable donation after Gift Aid at 31 August 2017	—	—
Called up share capital	1	1
Net assets at 31 August 2017	1	1

The £1 issued share capital equalled the net assets of the company at 31 August 2017.

14 Investments – HCTC Enterprises Limited

The issued share capital of HCTC Enterprises Limited, a company registered in England and Wales (Company number 2962551), was transferred to the Federation on 31 August 2007. The company is used to carry on business as a general commercial company for the benefit of Harris City Academy Crystal Palace. To this end, the company operates the Lewis Sports and Leisure Centre.

The following is a summary of the financial statements of HCTC Enterprises Limited for the year to 31 August 2017, which have been included in the consolidated financial statements.

	2017 £'000	2016 £'000
Turnover	27	59
Cost of sales	(5)	(50)
Gross profit	22	9
Administrative expenses	(10)	(8)
Retained profit before charitable donation under Gift Aid at 31 August 2017	12	1
Charitable donation under Gift Aid	(20)	(5)
Profit on ordinary activities after taxation	(8)	(4)
Retained profits brought forward at 1 September 2016	87	91
Retained profits carried forward at 31 August 2017	79	87
Called up share capital	—	—
Net assets at 31 August 2017	79	87

15 Investments – Harris Professional Services Limited

The share capital of Harris Professional Services Ltd, a company registered in England and Wales (company number 08002423), was issued to the company on 22 March 2012. The company is used for the provision of staff and support to Chobham Academy.

	2017 £'000	2016 £'000
Turnover	7,487	7,653
Cost of sales	(6,793)	(6,954)
Gross profit	694	699
Administrative expenses	(694)	(699)
Retained profit before charitable donation under Gift Aid at 31 August 2017	—	—
Charitable donation under Gift Aid	—	—
Profit on ordinary activities after taxation	—	—
Retained profits brought forward at 1 September 2016	—	—
Retained profits carried forward at 31 August 2017	—	—
Called up share capital	1	1
Net assets at 31 August 2017	1	1

16 Debtors

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade debtors	3,776	1,370	4,691	720
Prepayments	1,691	1,691	1,412	1,412
Sundry debtors	3,793	3,793	2,861	2,861
Amount due from subsidiary undertakings	—	2,145	—	4,326
VAT recoverable	3,518	3,518	3,219	3,213
Grant and other income	6,310	6,310	3,264	3,264
	19,088	18,827	15,447	15,796

17 Creditors: amounts falling due within one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade creditors	7,058	7,058	8,347	8,347
Taxation and social security	2,973	2,736	2,548	2,548
Other creditors	4,227	4,211	5,447	5,435
ESFA creditor: Abatement of GAG	4,269	4,269	4,782	4,782
Accruals and deferred income	14,080	14,055	8,920	8,896
Retention building costs	1,131	1,131	868	868
	33,738	33,460	30,912	30,876

17 Creditors: amounts falling due within one year (continued)

Deferred income

	2017 £'000	2016 £'000
Deferred income at 1 September 2016	2,318	1,943
Resources deferred in the year	1,475	2,146
Amounts released from previous years	(2,115)	(1,771)
Deferred income at 31 August 2017	1,678	2,318

At the balance sheet date, the Federation was holding funds received in advance for the new academies that opened in September 2017 and devolved formula capital received for 2017-18.

18 Funds

The income funds of the group include restricted funds comprising the following unexpended balances of grants for specific purposes:

	At 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	At 31 August 2017 £'000
General restricted fund					
General Annual Grant (GAG)	2,900	139,652	(141,914)	448	1,086
Start Up grants	1,462	1,147	(1,810)	—	799
Other ESFA grants	1,047	12,666	(12,873)	—	840
LEA and other grants	175	11,929	(12,104)	—	—
Other restricted funds	771	3,255	(3,288)	—	738
Pension reserve	(38,601)	(4,410)	(5,077)	11,736	(36,352)
	(32,246)	164,239	(177,066)	12,184	(32,889)
Fixed asset fund					
Fixed asset fund	379,282	55,915	(11,930)	(448)	422,819
Total restricted funds	347,036	220,154	(189,996)	11,736	388,930
Unrestricted funds	4,814	4,076	(3,245)	—	5,645
Total funds	351,850	224,230	(193,241)	11,736	395,575

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

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, academies within the Federation were not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

18 Funds (continued)

Other funds

Other grants include funding received from the DfE and Local Education Authorities for specific purposes.

Fixed asset fund

The fixed asset fund includes grants received from the DfE and other sources to finance the development and building of the new academy, assets transferred on conversion and other tangible fixed assets.

Transfers between funds

Transfers from the ESFA General Annual Grant Fund and from general funds to the fixed asset fund relate to fixed assets purchases from these funds.

Notes to the financial statements 31 August 2017

18 Funds (continued)

Analysis of fund balance by academy

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £'000	Total 2016 £'000
Harris Aspire Academy	347	176
Harris Academy Battersea	—	1
Harris Academy Beckenham	590	724
Harris Primary Academy Beckenham	5	93
Harris Primary Academy Benson	60	—
Harris Academy Bermondsey	358	319
Harris Academy Bromley	150	331
Harris Junior Academy Carshalton	—	—
Harris Academy Chafford Hundred	—	—
Harris Primary Academy Chafford Hundred	23	157
Harris Primary Academy Coleraine Park	58	144
Harris City Academy Crystal Palace	256	543
Harris Primary Academy Crystal Palace	73	132
Harris Boys' Academy East Dulwich	284	599
Harris Girls' Academy East Dulwich	125	1,258
Harris Primary Academy East Dulwich	29	119
Harris Academy Falconwood	168	569
Harris Academy Greenwich	7	—
Harris Primary Academy Haling Park	32	70
Harris Invictus Academy Croydon	3	2
Harris Primary Academy Kenley	10	—
Harris Primary Academy Kent House	39	—
Harris Primary Academy Mayflower	1	—
Harris Academy Merton	171	182
Harris Primary Academy Merton	85	86
Harris Academy Morden	5	—
Harris Academy Orpington	75	—
Harris Primary Academy Orpington	67	—
Harris Academy Peckham	290	1,409
Harris Primary Free School Peckham	134	198
Harris Primary Academy Peckham Park	177	32
Harris Primary Academy Philip Lane	105	51
Harris Academy Purley	—	162
Harris Primary Academy Purley Way	12	—
Harris Academy Rainham	5	—
Harris Primary Academy Shortlands	—	28
Harris Academy South Norwood	—	855
Harris Academy Tottenham	—	1
Harris Academy Upper Norwood	—	607
Harris Westminster Sixth Form	48	88
Merton Sports Partnership	186	168
Collective benefit and other Federation funds	5,034	1,978
HCTC	96	87
Total before fixed assets and pension reserve	9,108	11,169
Restricted fixed assets fund	422,819	379,282
Pension liability	(36,352)	(38,601)
Total	395,575	351,850

* includes Harris Academies Project Management Limited and Harris Teaching School Alliance (HIT)

Notes to the financial statements 31 August 2017

18 Funds (continued)

Analysis of cost by academy

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation) £'000	Total 2017 £'000
Harris Aspire Academy	699	176	66	150	1,091
Harris Academy Battersea	4,611	472	209	1,419	6,711
Harris Academy Beckenham	4,471	601	188	1,027	6,287
Harris Primary Academy Beckenham	404	85	61	139	689
Harris Primary Academy Benson	1,149	303	50	505	2,007
Harris Academy Bermondsey	4,065	600	186	1,134	5,985
Harris Academy Bromley	3,039	577	251	700	4,567
Harris Junior Academy Carshalton	1,168	162	23	338	1,691
Harris Academy Chafford Hundred	4,670	795	88	996	6,549
Harris Primary Academy Chafford Hundred	1,983	458	137	443	3,021
Harris Primary Academy Coleraine Park	1,748	231	52	544	2,575
Harris City Academy Crystal Palace	5,241	1,306	170	1,118	7,835
Harris Primary Academy Crystal Palace	1,672	201	139	422	2,434
Harris Boys' Academy East Dulwich	4,199	580	197	969	5,945
Harris Girls' Academy East Dulwich	4,932	551	218	970	6,671
Harris Primary Academy East Dulwich	606	135	12	240	993
Harris Academy Falconwood	4,180	655	120	808	5,763
Harris Academy Greenwich	5,595	815	170	886	7,466
Harris Primary Academy Haling Park	640	142	28	234	1,044
Harris Invictus Academy Croydon	1,940	362	91	383	2,776
Harris Primary Academy Kenley	1,206	372	33	469	2,080
Harris Primary Academy Kent House	1,640	221	72	522	2,455
Harris Primary Academy Mayflower	1,029	303	52	366	1,750
Harris Academy Merton	4,955	922	182	426	6,485
Harris Primary Academy Merton	2,111	371	56	485	3,023
Harris Academy Morden	3,258	554	94	603	4,509
Harris Academy Orpington	4,720	880	210	1,887	7,697
Harris Primary Academy Orpington	1,637	275	84	461	2,457
Harris Academy Peckham	4,300	1,158	112	1,020	6,590
Harris Primary Free School Peckham	1,252	251	81	347	1,931
Harris Primary Academy Peckham Park	1,556	318	94	498	2,466
Harris Primary Academy Philip Lane	1,530	365	169	422	2,486
Harris Academy Purley	4,164	954	138	768	6,024
Harris Primary Academy Purley Way	183	68	34	137	422
Harris Academy Rainham	4,082	449	60	1,033	5,624
Harris Primary Academy Shortlands	638	120	40	237	1,035
Harris Academy South Norwood	8,488	1,438	390	1,211	11,527
Harris Academy Tottenham	2,323	243	170	658	3,394
Harris Academy Upper Norwood	8	17	1	418	444
Harris Westminster Sixth Form	2,071	336	16	913	3,336
Merton Sports Partnership	224	—	—	259	483
Collective benefit fund and Federation	4,935	6,004	117	2,006	13,062
HCTC	—	—	—	11	11
HPS	6,295	766	—	—	7,061
HIT	493	80	47	1,565	2,185
Company total	120,110	25,672	4,708	30,147	180,637

19 Analysis of net assets between funds

Group	General fund £'000	Restricted funds		Total 2017 £'000
		General £'000	Fixed asset fund £'000	
Fund balances at 31 August 2017 are represented by				
Tangible fixed assets	—	—	422,819	422,819
Current assets	5,645	37,201	—	42,846
Current liabilities	—	(33,738)	—	(33,738)
Pension scheme liability	—	(36,352)	—	(36,352)
Total net assets	5,645	(32,889)	422,819	395,575

20 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.

21 Pension and similar obligations

The Federation'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 a number of Local Authorities in the London borough's and counties in which the Federation operates. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £1,732,000 were payable to the schemes at 31 August 2017 (2016 - £1,716,000) and are included within creditors.

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

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

21 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme

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)
- ◆ 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 previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £10,473,000 (2016 - £9,291,000).

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

Under the definitions set out in FRS 102, 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.

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £5,616,000, of which employer's contributions totalled £4,121,000 and employees' contributions totalled £1,495,000. The agreed contribution rates for future years are between 7.2% and 25.5% for employers and between 5.5% and 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

	At 31 August 2017	At 31 August 2016
Principal Actuarial Assumptions		
Rate of increase in salaries	3.6%	3.6%
Rate of increase for pensions in payment / inflation	2.3%	2.1%
Discount rate for scheme liabilities	2.5%	2.1%
Inflation assumption (CPI)	2.3%	2.1%

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

	At 31 August 2017	At 31 August 2016
<i>Retiring today</i>		
Males	22.8	22.5
Females	25.3	25.3
<i>Retiring in 20 years</i>		
Males	24.9	24.8
Females	27.4	27.8

The sensitivity of the present value of defined benefit obligations is as follows:

	At 31 August 2017 - £'000
Discount rate +0.1%	96,102
Discount rate -0.1%	101,040
Mortality assumption – 1 year increase	101,663
Mortality assumption – 1 year decrease	95,477
CPI rate +0.1%	100,775
CPI rate -0.1%	96,353

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

	Fair value at 31 August 2017 £'000	Fair value at 31 August 2016 £'000
Equities	40,213	29,585
Gilts	3,285	3,122
Other bonds	7,252	5,825
Property	5,550	4,500
Cash and other liquid assets	2,325	566
Other	3,576	3,450
Total market value of assets	62,201	47,048

The actual return on scheme assets was £4,639 (2016: £7,428).

	2017 £'000	2016 £'000
Amounts recognised in statement of financial activities		
Current service cost	(8,550)	(4,991)
Net interest cost	(541)	(677)
Admin expenses	(107)	(28)
Total amount recognised in the SOFA	(9,198)	(5,696)

	2017 £'000	2016 £'000
Movement in deficit during the year		
Deficit at 1 September 2016	(38,601)	(18,165)
Current service cost	(8,550)	(4,991)
Employer contributions	4,121	3,568
Net return on assets	(541)	(677)
Administration expense	(107)	(28)
Business combinations	(4,410)	—
Actuarial (loss) gain	11,736	(18,308)
Liabilities at 31 August 2017	(36,352)	(38,601)

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations were as follows:		
At 1 September 2016	85,649	53,344
Conversion of academy trusts	10,192	—
Current service cost	8,550	4,991
Interest cost	2,054	2,126
Employee contributions	1,495	1,358
Actuarial (gain)/loss	(8,610)	24,290
Benefits paid	(777)	(460)
At 31 August 2017	98,553	85,649

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the fair value of the Federation's share of scheme assets:	2017 £'000	2016 £'000
At 1 September 2016	47,048	35,179
Upon conversion	5,782	—
Interest income	1,513	1,449
Actuarial gain	3,126	5,982
Employer contributions	4,121	3,568
Employee contributions	1,495	1,358
Benefits paid	(777)	(460)
Administration expense	(107)	(28)
At 31 August 2017	62,201	47,048

22 Related party transactions

Transactions between the company and its wholly controlled subsidiaries are not disclosed, as permitted by the exemptions set out in FRS 102.

The transactions with Chobham School Academy (Stratford) were as follows:

2017				
	Income during the year £'000	Expenditure during the year £'000	Owed at 31 August £'000	Due at 31 August £'000
Harris Federation	851	19	25	221
Harris Professional Services Limited	7,487	—	—	2,141
	8,338	19	25	2,362
2016				
	Income during the year £'000	Expenditure during the year £'000	Owed at 31 August £'000	Due at 31 August £'000
Harris Federation	329	104	40	204
Harris Professional Services Limited	7,651	2	—	3,944
	7,980	106	40	4,148

23 Capital commitments

At 31 August 2017 the group had the following capital commitments:

	2017 £'000	2016 £'000
Contracted for, but not provided in the financial statements	4,071	20,724

The above capital commitments will be met from DfE capital grants to be received in future years.

24 Commitments under operating leases and PFI arrangements

Operating leases

At 31 August 2017, the total of the Federation's future minimum lease payments under non-cancellable operating leases was as follows:

Land and buildings	2017 £'000	2016 £'000
Amounts due within one year	217	199
Amounts due between two and five years inclusive	869	795
Amounts due after five years	742	877
	1,828	1,871

Other	2017 £'000	2016 £'000
Amounts due within one year	610	401
Amounts due between two and five years inclusive	1,288	449
Amounts due after five years	747	—
	2,645	850

Academies with Private Finance Initiative (PFI)

Harris Academy Morden joined the Federation on 1 March 2013. Its main school building was financed under a PFI arrangement which also provides services to the school including cleaning and catering. The school pays an annual amount based on pupil numbers which will run until 2030. In the year ended 31 August 2017, £363,000 (2016 - £312,000) of costs relating to this has been recognised in expenditure, being included in the total operating lease rentals figure in note 5.

At 31 August 2017, the total of the Federation's future minimum payments under PFI arrangements was as follows:

Land and buildings	2017 £'000	2016 £'000
Amounts due within one year	419	363
Amounts due between two and five years inclusive	1,816	1,769
Amounts due after five years	3,732	4,198
	5,967	6,330

25 Post balance sheet events

From September 2017, four new academies joined the Federation: Harris Primary Academy Beckenham Green; Harris Garrard Academy; Harris Academy Riverside; and Harris Academy St. John's Wood. Of these, Harris Academy Riverside is a free school, with the remaining being converted academies. The operations, buildings, pension obligations and fund balances from these converters were transferred to the Federation for £nil consideration.

26 Agency arrangements

The Federation distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2017 the trust received £488,489 (2016 - £488,353) and disbursed £494,998 (2016 - £313,274) from the fund. An amount of £421,025 (2016 - £427,534) is included in Other Creditors relating to undistributed funds that will be distributed in 2017/18.

27 Transfer of academies to the Federation

During the year ended 31 August 2017, four academies joined the Federation; Harris Academy Rainham, Harris Academy Orpington, Harris Primary Academy Orpington and Harris Primary Academy Purley Way. At the date of transfer to the Federation, the operations and assets and liabilities were transferred to the Harris Federation for £nil consideration. Three of the four academies joining the Federation in the year ended 31 August 2017 included a transfer of assets when joining.

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

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	Total 2017 £'000
Leasehold buildings	—	—	2,624	2,624
Freehold buildings	—	—	20,019	20,019
Budget surplus on LA funds	1,980	—	—	1,980
LGPS pension deficit	—	(4,410)	—	(4,410)
Net assets/(liabilities)	1,980	(4,410)	22,643	20,213

27 Transfer of academies to the Federation (continued)

Harris Academy Rainham

On 1 September 2016 Harris Academy Rainham transferred to the Federation.

	Restricted general fund £'000	Restricted fixed asset fund £'000	Total 2017 £'000
Leasehold buildings	—	6,484	6,484
LGPS pension deficit	(1,251)	—	(1,251)
Net assets/(liabilities)	(1,251)	6,484	5,233

The transfer included a freehold land and buildings from 1 September 2016 at a peppercorn rent.

Harris Academy Orpington

On 1 September 2016 Harris Academy Orpington transferred to the Federation.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	Total 2017 £'000
Freehold buildings	—	—	13,535	13,535
Budget surplus on LA funds	1,464	—	—	1,464
LGPS pension deficit	—	(2,630)	—	(2,630)
Net assets/(liabilities)	1,464	(2,630)	13,535	12,369

The transfer included freehold land and buildings from 1 September 2016 at a peppercorn rent. The above net assets include £1,464,000 that was transferred as cash.

Harris Primary Academy Orpington

On 1 September 2016 Harris Primary Academy Orpington transferred to the Federation.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed asset fund £'000	Total 2017 £'000
Leasehold buildings	—	—	2,624	2,624
Budget surplus on LA funds	516	—	—	516
LGPS pension deficit	—	(529)	—	(529)
Net assets/(liabilities)	516	(529)	2,624	2,611

The transfer included a 125 year lease of land and buildings from 1 September 2016 at a peppercorn rent. The above net assets include £516,000 that was transferred as cash.