

REGISTRAR OF COMPANIES

Howard of Effingham School

Annual Report and Financial Statements

For the period from 8 April 2011
to 31 August 2012

Company Limited by Guarantee
Registration Number
07597068 (England and Wales)

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Reference and administrative information

Position at 19 December 2012

Governors	R J Barnfield P Bush J Dickinson P Entwistle J Field K Halsey S Maddox P Reid J Ripley A M Smith P Stephen M Swyny G Walker (Vice Chair) K White S Williams C Williamson (Chair) T Wood
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Company Secretary	J Moore
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Senior Leadership Team

Executive Head	R J Barnfield
Head of School	H Pennington
Deputy Heads	D Ashby A Payne S Stanton
Assistant Heads	T Burns G Cowhig M Jeffrey J Menhenett K Mitchell
Executive Business Manager	J Moore

Registered address	Lower Road Effingham Surrey KT24 5JR
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Company registration number	07597068 (England and Wales)
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Reference and administrative information

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers HSBC
18 North Street
Leatherhead
Surrey
KT22 7AR

Solicitors Stone King
16 St John's Lane
London
EC1M 4BS

Governors' report Period from 8 April 2011 to 31 August 2012

The governors of Howard of Effingham School ('the School') present their statutory report together with the financial statements of the charitable company for the period from 8 April 2011 to 31 August 2012

The financial statements have been prepared in accordance with the accounting policies set out on pages 23 to 26 of the attached financial statements and comply with the School's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005')

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust. The Academy Trust was incorporated on 8 April 2011 and took over the activities of Howard of Effingham School from 1 July 2011.

The Governors act as the Trustees for the charitable activities of Howard of Effingham School and are also the Directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Howard of Effingham School and is part of The Howard Partnership.

Details of the Governors who served throughout the period except as noted are included on page 4.

Members' liability

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

Principal activities

The School's principal activities in accordance with its objectives are advancing education in the United Kingdom by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum. In addition, the school promotes the use of recreational facilities and provides public lectures for the benefit of local residents and their families.

Governors' report Period from 8 April 2011 to 31 August 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Governors

The governors are directors of the charitable company for the purposes of the Companies Act 2006. The following trustees were in office at 31 August 2012 and served throughout the period except where shown

Governor	Appointed/Resigned	Appointing body
Mrs R J Barnfield	Appointed 8 April 2011	Ex officio Executive Head
Mr P Bush	Appointed 1 July 2011	HPET Foundation
Mrs J Dickinson	Appointed 1 July 2011	Parent
Mr A Emmett	Appointed 1 July 2011, Resigned 22 January 2012	HPET Foundation
Mr P Entwistle	Appointed 1 July 2011	HPET Foundation
Mrs J Field	Appointed 1 November 2011	Parent
Dr K Halsey	Appointed 1 July 2011	Staff
Mrs S Maddox	Appointed 1 July 2011	Parent
Mr P Reid	Appointed 18 July 2011	Staff
Mr J Ripley	Appointed 1 July 2011	HPET Foundation
Mr A M Smith	Appointed 1 July 2011	Parent
Mr P Stephen	Appointed 10 December 2012	Parent
Mr M Swyny	Appointed 1 July 2011, Resigned 13 October 2012 Appointed 14 October 2012	Parent Community
Mrs G Walker	Appointed 8 April 2011	HPET Foundation
Mrs K White	Appointed 1 July 2011, Resigned 15 March 2012 Appointed 16 March 2012	Community HPET Foundation
Mrs S Williams	Appointed 1 July 2011	Parent
Mr C Williamson	Appointed 8 April 2011	HPET Foundation
Mr P Wilson	Appointed 1 July 2011, Resigned 27 April 2012	Community
Dr T Wood	Appointed 17 September 2012	Community

Method of recruitment and appointment or election of governors

The Governing Body is constituted with –

- ◆ Six Foundation Governors,
- ◆ Six Parent Governors,
- ◆ Two Community Governors,
- ◆ Two Staff Governors,
- ◆ The Executive Head

Foundation Governors are appointed by the Howard Partnership Education Trust (HPET) and Community Governors are appointed by the Governing Body. Parent Governors are elected by parents of registered pupils at the school. A Parent Governor must be a parent of a pupil at the school at the time when elected. Staff Governors are elected by staff members at the school. Should there be a vacancy, the Executive Head is selected by HPET with the recommendation endorsed by the Governing Body.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Method of recruitment and appointment or election of governors (continued)

Volunteers for Community Governor vacancies are found through local contacts and organisations such as School Governors' One-Stop Shop (SGOSS). Potential candidates typically first visit the school and meet the Chair, Vice-Chair and Executive Head for a preliminary screening. Where appropriate the candidate would be introduced to the Governing Body with a view to appointment.

Policies and procedures adopted for the induction and training of governors

The Governing Body has an informal process for the induction and training of new Governors. An induction pack is maintained by the Vice-Chair of Governors with support from the school. An informal induction is held with all new Governors, typically a morning meeting where various topics are discussed with the Chair, Vice-Chair and Executive Head. All new Governors are strongly encouraged to participate in the induction training provided termly by Babcock 4S under our Service Level Agreement. All new Governors are provided with a mentor to assist in their development. As Governor turn-over is low, induction tends to be done informally and bespoke induction programmes are able to be provided to individuals.

All new Governors are given an initial tour of the school and invited to meet with staff and students. All Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors.

Training is also being developed for all Governors to address their obligations as company directors.

Organisational structure

The management structure consists of three levels: the Governors, the Senior Leadership Team (SLT) and middle management within the school. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Governors fulfil a largely strategic role. They are responsible for setting general policy, adopting an annual development plan and budget, monitoring the school by the use of budgets and making major decisions about the direction of the school, capital expenditure and senior staff appointments.

The SLT are the Executive Head, Head of School, three Deputy Heads, five Assistant Heads and the Executive Business Manager. These professionals manage the school at an executive level implementing the policies ratified by the Governors and reporting back to them. As a group the SLT are responsible for the authorisation of spending within approved budgets and the appointment of staff, although appointment boards for senior posts including the SLT are supported by at least one Governor.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure (continued)

The middle management team includes the five Year Leaders and the nine Heads of Faculty. These managers are responsible for the day to day operation of the school, in particular organising the teaching staff and students.

Risk management

The Governors have assessed the major risks to which the school is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the school, and its finances. The Governors have required the implementation of a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover.

The school has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

Connected organisations, including related party relationships

Howard of Effingham School has a formal arrangement through a Memorandum of Agreement with the Howard Partnership Education Trust (HPET) to be a member of The Howard Partnership. The Memorandum of Agreement details the terms and conditions of the arrangement and the range of support to be offered by the HPET for the benefit of the school. HPET is a charitable company limited by guarantee which acts as an overarching “umbrella” Trust for schools in the partnership.

Howard of Effingham School has a soft federation with Thomas Knyvett College (TKC), a secondary school in Ashford and also a member of The Howard Partnership with a Memorandum of Agreement with the HPET. Services are provided to TKC by some staff employed at Howard of Effingham School.

The Howard Partnership Trust (HPT) was formed in January 2010 as Howard of Effingham School and Thomas Knyvett College became foundation schools within a shared trust. The role of the Howard Partnership Trust (HPT) was changed in July 2011 when both schools converted to academy status, the governance activities were transferred to the HPET, to which HPT may nominate one trustee. HPT retains a valuable role in managing the relationship between the schools and external partners.

The Howard of Effingham School Charitable Trust exists to support the school by providing enhancements for students which would not otherwise be affordable.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Connected organisations, including related party relationships (continued)

Howard of Effingham School belongs to and works closely with the Effingham Learning Partnership (ELP), a confederation of 11 local schools linked to Howard of Effingham School. The ELP manages the provision of children's services in support of education and promotes collaboration in learning, and aims to share information and best practice to improve life chances for children in Howard of Effingham School and its ELP schools.

Objects and Aims

The Academy Trust's objects are specifically restricted to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

Objectives, Strategies and Activities

The objectives, strategies and activities of the school are outlined in the School Development Plan, renewed annually and monitored on a regular basis, typically termly.

Public Benefit

The public benefit provided by the school is outlined in the Objects and Aims above. The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning future activities and setting appropriate policies for the year.

ACHIEVEMENTS AND PERFORMANCE

The school is in its first period of operation as an academy and achieved the forecast number of students. Total students in the period ended 31 August 2012 numbered 1,603 and the school had more than a full complement in all year groups but one. The total number of registered pupils of compulsory school age on roll was 1,239 with 364 students in the Sixth Form.

The school will continue to admit 240 students in each year.

The summer 2012 examination results, yet again have much to celebrate. The exam results at A Level were, in fact, the best ever in the history of the school.

A Level

- ◆ Students collectively gained 64 A* grades or 11.1% of passes (compared to 9% in 2011 and 8.2% nationally 2011)
- ◆ 30.4% of all subject passes were at grade A/A* (compared to 27.2% in 2011 and 2011 national 27%)
- ◆ 58.9% of all grades were A*- B (compared to 53.5% in 2011)

ACHIEVEMENTS AND PERFORMANCE (continued)

A Level (continued)

- ◆ 83.2% of all grades were A* – C (compared to 76% in 2011)
- ◆ 99.1% pass rate (compared to 99.6% in 2011 and 2011 national fig 97.8%)

GCSE

- ◆ 76% of Year 11 students gained 5 or more A*– C grades including English and Maths
- ◆ 92% of Year 11 students achieved 5 or more A*– C grades or equivalent
- ◆ 94.4% of students studying sciences achieved the equivalent of 2x A*– C grades (2011, 90.5%)
- ◆ 45% of students qualified for the EBacc Qualification National figures are 15%
- ◆ 33% of all grades were at A/A* (23.2% national)
- ◆ 82 students achieved over 580 points, that is equivalent to 10 A* grades
- ◆ Six students gained more than 10 A* grades

In order to assure quality and secure continual improvement, the school undertakes regular monitoring and evaluation. All teachers are observed at least twice a year and points for improvement are identified from all observations, including the very best.

There is an increasingly tight focus on data monitoring to identify how much progress is being made by students. This allows the School to highlight individuals or groups who may need additional support because they are not progressing as fast as they could.

Every year each faculty and year group undertakes a review on previous performance and plans for improvement. This culminates in a discussion with senior leaders. Outcomes from these discussions provide the basis for the whole school improvement priorities.

The school also engages external consultants to review particular areas as necessary.

The ever continuing focus of maintaining and raising standards is assured by an extremely strong leadership, including a National Leader of Education, a national Leader of Governance and two Specialist Leaders of Education.

Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the school has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

FINANCIAL REVIEW

Financial report for the year

Most of the School's income is obtained from the Education Funding Agency (EFA) in the form of the General Annual Grant (GAG), the use of which is restricted for education purposes. The grants received from the EFA and other government bodies during the period and the associated expenditure are shown as restricted funds in the statement of financial activities.

The School also received grants for fixed assets from the EFA. In accordance with the Statement of Recommended Practice (SORP 2005), Accounting and Reporting by Charities, such a grant is shown in the statement of financial activities if spent during the period as restricted income within the fixed assets funds. The balance sheet restricted fixed assets fund is reduced by expenditure equivalent to any depreciation charges over the expected useful life of the assets concerned.

The total income for the period was £19,815,335. This includes a transfer of balances from the Local Authority and the predecessor school of £10,024,830 (see note 23). The largest amount within this balance related to buildings and other fixed assets worth £10,164,470 (see note 11). It also included the pension deficit at 1 July 2011 of £1,048,000 in relation to the Local Government Pension Scheme (see note 21). Excluding the inherited balances from the Local Authority, the School generated income of £9,790,505 including General Annual Grant of £8,839,247 (see note 1).

The excess of income over expenditure for the period, excluding the inherited balances, the fixed assets fund and the pension reserve was £183,456.

At 31 August 2012, the School had total funds of £9,714,638. This was comprised of £8,823,055 of restricted funds and £891,583 of unrestricted general fund balances. The pension reserve balance, relating to the Local Government defined benefit scheme for non-teaching staff, was in deficit by £1,276,000 at 31 August 2012.

The results for the period are shown on page 20.

Financial and Risk Management Objectives and Policies

The principal risk management objective of the school as stated in the Risk Management Policy is to minimise all identified risks as outlined in the risk register by frequent review and remedial actions where required.

Principal Risks and Uncertainties

The major risks to which the school is exposed are -

- ◆ Shortfalls in funding which have not been anticipated
- ◆ Changes in funding formulae
- ◆ Additional responsibilities imposed by Government
- ◆ Government SEN Proposals
- ◆ Government Curriculum Proposals

Governors' report Period from 8 April 2011 to 31 August 2012

FINANCIAL REVIEW (continued)

Reserves Policy

The Governors plan to agree a Reserves Policy for the school and will review this annually. The review will encompass the nature of income and expenditure streams and the need to match income with commitments. The reason for this is to provide sufficient working capital to cover potential delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent site maintenance.

The school's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) was £891,583 at 31 August 2012 and is in accordance with the Governors' intended policy whereby the Governors agree to set aside funds for significant planned projects that cannot be met by future income alone. The projects are detailed and prioritised in the school's Site Development Plan.

Investment Policy

The school does not have any material investments. The school's bank accounts are held with HSBC plc and the school operates both a current account and a Business Money Manager account.

PLANS FOR FUTURE PERIODS

The school will continue to improve the performance of its students at all levels as reflected in the mission statement "bringing out the best" as well as through activities in the School Development Plan. The school will continue its efforts to ensure our students gain employment, training or a place in higher education once they leave and that all become good citizens. The school will also continue to maintain a fully-subscribed school and will continue to accept transfers from other schools into Years 7 to 13 where required and appropriate. The school has an excellent reputation for the personal development and well-being of its students and staff and this will continue to be a priority.

The school will continue to look at its accommodation and plan for the future of the school site where buildings are reaching the end of their useful life, taking advantage of any local opportunities which may arise.

Howard of Effingham School is a designated National Support School and a registered academy sponsor. Both the Department of Education and Surrey County Council have requested the school to sponsor others in challenging circumstances as a matter of priority.

Auditor

In so far as the Governors are aware –

- ◆ there is no relevant audit information of which the charitable company's auditor is unaware, and
- ◆ the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Governors' report Period from 8 April 2011 to 31 August 2012

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

A handwritten signature in black ink, appearing to read 'C Williamson', written in a cursive style.

C Williamson

Chair of Governors

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that Howard of Effingham School has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Executive Head, 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 Academy and the Secretary of State for Education. The Executive Head is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the governors' report and in the statement of governors' responsibilities. The Governing Body has formally met eight times during the period. Attendance during the period at meetings of the Governing Body was as follows:

Governor	Number of meetings attended	Out of a possible
Mrs R J Barnfield	8	8
Mr P Bush	7	8
Mrs J Dickinson	8	8
Mr A Emmett	5	5
Mr P Entwistle	6	8
Mrs J Field	4	4
Dr K Halsey	7	8
Mrs S Maddox	6	8
Mr P Reid	7	7
Mr J Ripley	7	8
Mr A M Smith	8	8
Mr M Swyny	8	8
Mrs G Walker	6	8
Mrs K White	7	8
Mrs S Williams	8	8
Mr C Williamson	8	8
Mr P Wilson	6	7

The Finance and Facilities Committee is a sub-committee of the main Governing Body.

In addition to the consideration of long-term planning and resourcing, the Finance and Facilities Committee is responsible for the management of internal financial controls, risk management and corporate governance within the school. This committee also has responsibility for monitoring resourcing to ensure the delivery of the overall strategic plan and for the review of financial policies. Monitoring the implementation and effectiveness of all matters relating to School Health and Safety also fall within the terms of reference of the Finance and Facilities Committee.

Governance statement 31 August 2012

Governance (continued)

Attendance at meetings in the period was as follows

Governor	Number of meetings attended	Out of a possible
Mrs R J Barnfield	8	8
Mr A Emmett	4	5
Mr P Entwistle	6	8
Mrs S Maddox	7	8
Mr P Reid	6	6
Mr J Ripley	7	8
Mrs S Williams	8	8
Mr P Wilson	4	7

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Academy'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 Academy for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the Academy's significant risks that has been in place for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

The risk and control framework

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

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body,
- ◆ regular reviews by the Finance and Facilities 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,

The risk and control framework (continued)

- ◆ delegation of authority and segregation of duties,
- ◆ identification and management of risks

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed the Finance and Facilities Committee as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a quarterly basis, the RO will report to the governors on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

Review of effectiveness

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

- ◆ the work of the Responsible Officer,
- ◆ the work of the external auditor,
- ◆ the financial management and governance self assessment process,
- ◆ the work of the Senior Leadership Team within the Academy who have responsibility for the development and maintenance of the internal control framework.

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

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



C Williamson
Chair of Governing Body



R. J. Barnfield
Executive Head and Accounting Officer

Approved on

19/12/12

Statement on regularity, propriety and compliance 31 August 2012

As Accounting Officer of Howard of Effingham School, I have considered my responsibility to notify the Academy Trust Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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



R. J. Barnfield

Accounting Officer

Date 19/12/12

Statement of governors' responsibilities 31 August 2012

The trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees 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 Academy Trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to

- ♦ select suitable accounting policies and then apply them consistently,
- ♦ observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP),
- ♦ make judgments and estimates that are reasonable and prudent,
- ♦ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy will continue in operation

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Academy Trust 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 Academy Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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



C Williamson
Chair of the Governing Body

Date 19/12/12

Independent auditor's reports 31 August 2012

Independent auditor's report to the members of Howard of Effingham School

We have audited the financial statements of Howard of Effingham School for the period ended 31 August 2012 which comprise the statement of financial activities, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

This report is made solely to the Academy Trust'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 School'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 Academy Trust and the Academy Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditor

The governors act as trustees for the charitable activities of Howard of Effingham School and are also the directors of the Academy Trust for the purpose of company law.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Academy Trust's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the governors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Independent auditor's reports 31 August 2012

Opinion

In our opinion

- ◆ the financial statements give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006, and
- ◆ the financial statements have been prepared in accordance with the Annual Accounts Direction 2011/12 issued by the Education Funding Agency

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



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

21/12/12

Independent auditor's report on regularity to the Governing Body of Howard of Effingham School and the Education Funding Agency

In accordance with the terms of our engagement letter dated 17 February 2012 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by the Academy Trust during the period from 8 April 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the Governing Body and the EFA. Our review work has been undertaken so that we might state to the Governing Body and the EFA those matters we are required to state to it 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 Governing Body and the EFA, for our review work, for this report, or for the opinion we have formed

Respective responsibilities of the Governing Body and auditor

The Governing Body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the EFA's Financial Handbook and Accounts Direction. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed or income received during the period from 8 April 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

Basis of opinion

We conducted our review in accordance with the Academies Handbook and the Accounts Direction issued by the EFA

Opinion

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 8 April 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them



Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

21/12/12

Statement of financial activities Period from 8 April 2011 to 31 August 2012
(Including income and expenditure account and statement of recognised gains and losses)

		Unrestricted general fund £	Restricted funds			2012 Total funds £
	Notes	£	EFA £	Other £	Fixed assets fund £	£
Incoming resources						
Incoming resources from generated funds						
Voluntary income	2	87,690	—	48,268	—	135,958
Voluntary income - transfers on conversion	23	816,243	(1,048,000)	92,117	10,164,470	10,024,830
Activities for generating funds	3	486,671	—	—	—	486,671
Incoming resources from charitable activities						
Funding for the academy's educational operations	4	22,547	8,894,031	220,585	30,713	9,167,876
Total incoming resources		1,413,151	7,846,031	360,970	10,195,183	19,815,335
Resources expended						
Cost of generating funds						
Fundraising trading	5	156,374	—	—	—	156,374
Charitable activities						
Academy's educational operations	6	360,618	8,718,488	322,330	308,361	9,709,797
Governance costs	7	—	18,526	—	—	18,526
Total resources expended	5	516,992	8,737,014	322,330	308,361	9,884,697
Net incoming/(outgoing) resources before transfers						
Gross transfers between funds						
		896,159	(890,983)	38,640	9,886,822	9,930,638
Gross transfers between funds	14	(4,576)	(126,985)	23,816	107,745	—
Other recognised gains and losses						
Actuarial losses on defined benefit pension scheme	21	—	(216,000)	—	—	(216,000)
Net movement in funds		891,583	(1,233,968)	62,456	9,994,567	9,714,638
Reconciliation of funds						
Fund balances brought forward at 8 April 2011		—	—	—	—	—
Fund balances carried forward at 31 August 2012		891,583	(1,233,968)	62,456	9,994,567	9,714,638

All of the academy trust's activities derived from acquisitions in the current financial period

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

Balance sheet 31 August 2012

	Notes	2012 £	2012 £
Fixed assets			
Tangible fixed assets	11		9,963,854
Current assets			
Debtors	12	436,665	
Cash at bank and in hand		1,140,724	
		<u>1,577,389</u>	
Creditors amounts falling due within one year	13	(550,605)	
Net current assets			<u>1,026,784</u>
Total assets less current liabilities			10,990,638
Net assets excluding pension scheme liability			10,990,638
Pension scheme liability	21		(1,276,000)
Net assets including pension scheme liability			<u>9,714,638</u>
Funds of the School			
Restricted funds			
Fixed assets fund	14		9,994,567
EFA fund	14		42,032
Pension reserve	14		(1,276,000)
Other funds	14		62,456
			<u>8,823,055</u>
Unrestricted funds			
General fund	14		891,583
Total funds			<u>9,714,638</u>

The financial statements on page 20 to 40 were approved by the Governors, and authorised for issue on 19 December 2012 and are signed on their behalf by



C Williamson
Chair

Howard of Effingham School
Company Limited by Guarantee
Registration Number 07597068 (England and Wales)

Cash flow statement Period from 8 April 2011 to 31 August 2012

	Notes	2012 £
Net cash inflow from operating activities	17	372,308
Cash transferred on conversion to academy trust	23	908,360
Capital expenditure	18	(139,944)
Increase in cash in the period	19	1,140,724
Reconciliation of net cash flow to movement in net funds:		
Net funds at 8 April 2011		—
Net funds at 31 August 2012		1,140,724

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

Basis of Preparation

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

Conversion to an academy trust

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

The assets and liabilities transferred on conversion from Howard of Effingham School to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Howard of Effingham School. 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. Further details of the transaction are set out in note 23 of the financial statements.

Going Concern

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

Incoming Resources

All incoming resources are recognised when the School has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

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

Incoming Resources (continued)

Donations

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

Other income

Other income is recognised in the period it is receivable

Gifts in kind

The value of gifts in kind provided to the School are recognised at a valuation attributed by the governors in the period in which they are receivable as incoming resources, where the benefit to the School can be reliably measured

Resources Expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds

These are costs incurred in attracting voluntary income

Charitable activities

These are costs incurred on the School's educational operations

Governance Costs

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

All resources expended are inclusive of irrecoverable VAT

Tangible Fixed Assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the School's depreciation policy.

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

Freehold buildings	2% per annum
Fixtures, fittings and equipment	10-20% per annum
Computer equipment	33% per annum

Depreciation is charged from the month of acquisition.

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

Taxation

The School is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

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

Pensions Benefits (continued)

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi employer scheme and the School is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the School in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund Accounting

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

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

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

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

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

1 General Annual Grant (GAG)

	2012 £
a Results and Carry Forward for the period	
GAG allocation for current period	8,839,247
Total GAG available to spend	8,839,247
Recurrent expenditure from GAG	(8,670,230)
Fixed assets purchased from GAG	(103,169)
Transfer to other restricted funds	(23,816)
GAG carried forward to next year*	42,032
Maximum permitted GAG carry forward at end of current year (12% of allocation for current academic period)	(923,470)
GAG to surrender to DfE (12% rule breach if result is positive)	(881,438)
	No breach

* This excludes the FRS17 charge of £12,000

2 Voluntary income

	Unrestricted funds £	Restricted funds £	2012 Total funds £
Other Donations	87,690	48,268	135,958

3 Activities for Generating Funds

	Unrestricted funds £	Restricted funds £	2012 Total funds £
School trips	263,798	—	263,798
Hire of facilities	47,702	—	47,702
Catering income	18,717	—	18,717
Contributions to Federation activity	78,750	—	78,750
Educational Consultancy Services	33,384	—	33,384
Miscellaneous income	44,320	—	44,320
	486,671	—	486,671

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

4 Funding for academy's educational operations

	Unrestricted funds £	Restricted funds £	2012 Total funds £
DfE / EFA revenue grant			
General Annual Grant (GAG) (note 1)	—	8,839,247	8,839,247
Other DfE / EFA	—	54,784	54,784
	<u>—</u>	<u>8,894,031</u>	<u>8,894,031</u>
DfE/ EFA capital grants	<u>—</u>	<u>30,713</u>	<u>30,713</u>
Other government grants			
Local authority grants	22,547	212,795	235,342
16-19 bursary funding	—	7,790	7,790
	<u>22,547</u>	<u>220,585</u>	<u>243,132</u>
	<u>22,547</u>	<u>9,145,329</u>	<u>9,167,876</u>

5 Resources expended

	Staff costs £	Non pay expenditure		2012 Total funds £
		Premises £	Other costs £	
Cost of generating funds				
Cost of activities for generating funds	153,432	—	2,942	156,374
Charitable activities				
School's educational operations				
Direct costs	6,592,470	—	957,046	7,549,516
Allocated support costs	787,171	821,942	551,168	2,160,281
	<u>7,379,641</u>	<u>821,942</u>	<u>1,508,214</u>	<u>9,709,797</u>
Governance costs	—	—	18,526	18,526
	<u>7,533,073</u>	<u>821,942</u>	<u>1,529,682</u>	<u>9,884,697</u>
				2012 Total funds £
Incoming resources for the period include.				
Operating leases				29,978
Fees payable to auditor				
Statutory audit				8,500
Non statutory audit				750
Other services				4,775

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

6 Charitable activities - academy's educational operations

	Unrestricted funds £	Restricted funds £	2012 Total funds £
Direct costs			
Teaching and educational support staff costs	—	6,592,470	6,592,470
Educational supplies	297,706	344,099	641,805
Examination fees	—	215,315	215,315
Staff development	—	29,643	29,643
Educational consultancy	—	66,906	66,906
Other direct costs	—	3,377	3,377
	<u>297,706</u>	<u>7,251,810</u>	<u>7,549,516</u>
Allocated support costs			
Support staff costs	—	787,171	787,171
Depreciation	—	308,361	308,361
Recruitment and support	—	31,901	31,901
Maintenance of premises and equipment	62,912	126,693	189,605
Cleaning	—	138,691	138,691
Rent and rates	—	62,741	62,741
Utilities	—	122,544	122,544
Insurance	—	144,752	144,752
Security and transport	—	33,560	33,560
Catering	—	63,799	63,799
Bank interest and charges	—	741	741
Other support costs	—	276,415	276,415
	<u>62,912</u>	<u>2,097,369</u>	<u>2,160,281</u>
	<u>360,618</u>	<u>9,349,179</u>	<u>9,709,797</u>

7 Governance costs

	Unrestricted funds £	Restricted funds £	2012 Total funds £
Legal and professional fees	—	4,501	4,501
Auditor's remuneration			
Audit of financial statements	—	8,500	8,500
TPS audit	—	750	750
Responsible officer services	—	2,100	2,100
Accountancy advice	—	2,675	2,675
	—	<u>18,526</u>	<u>18,526</u>

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

8 Staff costs

Staff costs during the period were

	Unrestricted funds £	Restricted funds £	2012 Total funds £
Wages and salaries	147,486	6,012,620	6,160,106
Social security costs	2,168	417,655	419,823
Pension costs	3,779	932,256	936,035
	<u>153,433</u>	<u>7,362,531</u>	<u>7,515,964</u>
Supply teacher costs	—	5,609	5,609
Compensation payments	—	11,500	11,500
	<u>153,433</u>	<u>7,379,640</u>	<u>7,533,073</u>

Staff costs are net of £161,029 recharged to Thomas Knyvett College for administration and curriculum support

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

Charitable activities	2012 No
Teachers	104
Administration and support	51
Management	10
	<u>165</u>

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

	2012 No
£60,001 - £70,000	4
£70,001 - £80,000	1
£120,001 - £130,000	1

All of the above employees participated in the Teachers' Pension Scheme or the Local Government Pension Scheme. During the period ended 31 August 2012 pension contributions for these staff amounted to £80,486

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

9 Governors' remuneration and expenses

The Executive Head and staff governors only receive remuneration in respect of services provided undertaking the roles of Executive Head and members of staff and not in respect of services as governors. Other governors did not receive any payments, other than expenses, from the academy in respect of their roles as governors. The value of governors' remuneration for the 14 month period to 31 August 2012 was as follows:

	1 July 2011 to 31 August 2011 £'000	1 September 2011 to 31 August 2012 £'000	Total £'000
R Barnfield, Executive Head	20-25	120-125	145-150
K Halsey, Staff governor	5-10	40-45	45-50
P Reid, Staff governor	0-5	25-30	30-35

During the period ended 31 August 2012, Governors travel and subsistence expenses totalled £1,867 for 3 governors.

Other related party transactions involving the trustees are set out in note 23.

10 Governors' and Officers' insurance

In accordance with normal commercial practice the School has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2012 was £133.

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

11 Tangible fixed assets

	Freehold land and buildings £	Furniture and equipment £	Total funds £
Cost/valuation			
Transfer on conversion	10,000,000	164,470	10,164,470
Additions	—	107,745	107,745
At 31 August 2012	10,000,000	272,215	10,272,215
Depreciation			
Charge in period	233,333	75,028	308,361
At 31 August 2012	233,333	75,028	308,361
Net book value			
At 31 August 2012	9,766,667	197,187	9,963,854

The freehold land and buildings relate to the Academy's site at Lower Road. As the site is designated for educational purposes only, the land has no open market value and hence the value in these financial statements relates to the Academy buildings only.

The fixed assets fund also includes £30,713 of capital grants held as cash at the period end.

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

12 Debtors

	2012 £
Trade debtors	194,483
Prepayments	155,741
VAT Debtor	17,234
Other debtors and accrued income	69,207
	<u>436,665</u>

13 Creditors: amounts falling due within one year

	2012 £
Trade creditors	147,896
Other taxation and social security	124,696
Other creditors	9,899
Accruals and deferred income	268,114
	<u>550,605</u>

	2012 £
Deferred income	
Deferred Income at 8 April 2011	—
Resources deferred in the period	84,876
Deferred Income at 31 August 2012	<u>84,876</u>

Deferred income of £84,876 relates to income received in the year for school trips that are taking place in the year ended 31 August 2013 and funding received in advance for the year 2012/13

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

14 Funds

	Balance at 8 April 2011 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2012 £
EFA revenue grant fund					
General Annual Grant (GAG)	—	8,839,247	(8,670,230)	(126,985)	42,032
Other EFA grants	—	54,784	(54,784)	—	—
	—	8,894,031	(8,725,014)	(126,985)	42,032
Pension reserve	—	(1,048,000)	(12,000)	(216,000)	(1,276,000)
	—	7,846,031	(8,737,014)	(342,985)	(1,233,968)
Fixed assets fund					
EFA capital grants	—	30,713	—	—	30,713
Academy building and furniture and equipment	—	10,164,470	(308,361)	107,745	9,963,854
	—	10,195,183	(308,361)	107,745	9,994,567
Other funds					
Local Authority grants	—	212,795	(212,795)	—	—
16-18 Bursary fund	—	7,790	(3,838)	—	3,952
Transferred from LA on conversion	—	92,117	(92,117)	—	—
Other restricted grants	—	48,268	(13,580)	23,816	58,504
	—	360,970	(322,330)	23,816	62,456
Total restricted funds	—	18,402,184	(9,367,705)	(211,424)	8,823,055
Unrestricted funds					
Unrestricted funds	—	1,413,151	(516,992)	(4,576)	891,583
Total unrestricted funds	—	1,413,151	(516,992)	(4,576)	891,583
Total funds	—	19,815,335	(9,884,697)	(216,000)	9,714,638

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

EFA revenue grant fund and other restricted funds

These grants relate to the Academy's educational operations and development

Fixed asset fund

These grants relate to the funding received from the EFA, together with contributions from other funds, in order to carry out work of a capital nature

Pension reserve

The pension reserve relates to the Academy's Local Government Pension Scheme liability for support staff

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

15 Analysis of net assets between funds

	Unrestricted funds £	Restricted General Funds £	Restricted Fixed Asset Fund £	Total 2012 £
Fund balances at 31 August 2012 are represented by				
Tangible fixed assets	—	—	9,963,854	9,963,854
Current assets	984,368	562,308	30,713	1,577,389
Current liabilities	(92,785)	(457,820)	—	(550,605)
Pension scheme liability	—	(1,276,000)	—	(1,276,000)
Total net assets	891,583	(1,171,512)	9,994,567	9,714,638

16 Financial commitments

Operating leases

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

	2012 £
Expiry within one year	3,544
Expiry within two and five years inclusive	4,431

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

	2012 £
Net income	9,930,638
Inherited pension deficit	1,048,000
Cash transferred on conversion	(908,360)
Inherited tangible fixed assets	(10,164,470)
Depreciation (note 11)	308,361
Capital grants from DfE and other capital income	(30,713)
Assets below capitalisation threshold purchased	62,912
FRS 17 pension cost less contributions payable (note 20)	(45,000)
FRS 17 pension finance income (note 20)	57,000
Increase in debtors	(436,665)
Increase in creditors	550,605
Net cash inflow from operating activities	372,308

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

18 Capital expenditure and financial investment

	2012 £
Purchase of tangible fixed assets	(107,745)
Capital grants from DfE / EFA	30,713
Assets below capitalisation threshold purchased	(62,912)
Net cash outflow from capital expenditure and financial investments	(139,944)

19 Analysis of changes in net funds

	At 8 April 2011 £	Cashflows £	At 31 August 2012 £
Cash in hand and at bank	—	1,140,724	1,140,724

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 School's employees belong to two principal pension schemes the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council Both are defined-benefit schemes

As described in note 23, the LGPS obligation relates to the employees of the trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date

The pension costs are assessed in accordance with the advice of independent qualified actuaries The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS at 31 March 2010

Contributions amounting to £nil were payable to the schemes at 31 August 2012

21 Pension and similar obligations (continued)

Teachers' Pension Scheme (TPS)

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

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

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

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

21 Pension and similar obligations (continued)

Teachers' Pension Scheme (TPS) (continued)

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

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

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £368,000, of which employer's contributions totalled £287,000 and employees' contributions totalled £81,000.

Principal Actuarial Assumptions	At 31 August 2012
Rate of increase in salaries	4.5%
Rate of increase for pensions in payment / inflation	2.2%
Discount rate for scheme liabilities	4.1%
Inflation assumption (CPI)	2.9%
Commutation of pensions to lump sums	
An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post April 2008 service	

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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 2012
<i>Retiring today</i>	
Males	21.9
Females	24.0
<i>Retiring in 20 years</i>	
Males	23.9
Females	25.9

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

	Expected return at 31 August 2012	Fair value at 31 August 2012 £'000
Equities	5.5%	768
Bonds	3.4%	203
Property	3.7%	53
Cash	2.8%	43
Total market value of assets		1,067
Present value of scheme liabilities		(2,343)
Deficit in the scheme		(1,276)

The actual gain on scheme assets was £10,000

Amounts recognised in statement of financial activities	2012 £
Current service costs (net of employee contributions)	242,000
Total operating charge	242,000

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	66,000
Interest on pension liabilities	(123,000)
Pension finance costs	(57,000)

The actuarial gains and losses for the current period are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a loss of £216,000.

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the overall deficit were as follows:	2012 £
Deficit on conversion	1,048,000
Current service cost	242,000
Employer contributions	(287,000)
Net finance interest	57,000
Actuarial loss	216,000
At 31 August 2012	1,276,000

Movements in the present value of defined benefit obligations were as follows.	2012 £
Deficit on conversion	1,738,000
Current service costs	242,000
Interest costs	123,000
Employee contributions	81,000
Actuarial loss	159,000
At 31 August 2012	2,343,000

Movements in the fair value of School's share of scheme assets	2012 £
As at conversion	690,000
Expected return on assets	66,000
Actuarial loss	(57,000)
Employer contributions	287,000
Employee contributions	81,000
At 31 August 2012	1,067,000

The estimated value of the employer contributions for the year ended 31 August 2013 is £255,000

The experience adjustments are as follows

	2012 £
Present value of defined benefit obligations	(2,343,000)
Fair value of share scheme assets	1,067,000
Deficit on the scheme	1,276,000
Experience adjustments on share of scheme assets	
Amount	(57,000)
Experience adjustments on scheme liabilities	
Amount	—

Notes to the Financial Statements Period from 8 April 2011 to 31 August 2012

22 Related party transactions

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

23 Conversion to an academy trust

On 1 July 2011 Howard of Effingham School converted to academy trust status under the Academies Act 2010 and all operations and assets and liabilities were transferred to Howard of Effingham School for £nil consideration. The land and buildings were transferred from The Howard Partnership Trust and the operations and all other assets and liabilities were transferred from Surrey County Council.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income 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 £	Restricted general funds £	Restricted fixed asset funds £	Total £
Tangible fixed assets				
Freehold land and buildings	—	—	10,000,000	10,000,000
Other tangible fixed assets	—	—	164,470	164,470
Budget surplus on LA funds	663,479	92,117	—	755,596
Surplus on other school funds	152,764	—	—	152,764
LGPS pension deficit	—	(1,048,000)	—	(1,048,000)
Net assets (liabilities)	816,243	(955,883)	10,164,470	10,024,830

The above net assets include £908,360 that was transferred as cash.