

REGISTRAR OF COMPANIES

Hendon School

Annual Report and Financial Statements

31 August 2016

Company Limited by Guarantee
Registration Number
07803827 (England and Wales)

WEDNESDAY



A5ZBWYJN

A19

01/02/2017

#109

COMPANIES HOUSE

Contents

Reports

Reference and administrative information	1
Governors' report	3
Governance statement	13
Statement of Regularity, propriety and compliance	19
Statement of governors' responsibilities	20
Independent auditor's report on the financial statements	21
Independent reporting accountant's report on regularity	23

Financial statements

Statement of financial activities	25
Balance sheet	26
Statement of cash flows	27
Principal accounting policies	28
Notes to the financial statements	35

Reference and administrative information

Members
F Ghaffari
C Maslin
A Woodworth

Governors
A Macalpine (Chair - resigned 8 December 2015) x
C Maslin x
F Ghaffari (Chair – from 8 December 2015) + x
N J Starling x
B Baumgartner-Cohen x
A Husain-Ali
L M Varley +
R Povey (Headteacher) x
A Winiecki (resigned 25 September 2016)
N Dunleavy (resigned 21 October 2015)
R Batra (resigned 26 February 2016) x
J Dunne (resigned 18 May 2016)
F Conn (resigned 6 September 2016)
A Woodworth + x
S Mehigan +
A Lee-White (resigned 17 October 2016)
K Kalogirou (appointed 28 October 2015)
H Byrne (appointed 28 October 2015)
J Shavdia (appointed 8 December 2015)
+ denotes member of the Audit Committee
x denotes member of the Finance and General Purposes Committee

Senior Management Team

Headteacher	Rhona Povey
Deputy Head	Yvonne Weatherhead (resigned 31 May 2016)
Deputy Head	Lisa Gorman (appointed 7 January 2016)
Deputy Head	Craig McGuire
Assistant Heads	Fred Asquith Ron Spicer Noelle Doona
Finance and Business Director	Simon Leicester
Senior Administrator	Steve Nagle

Registered address
Golders Rise
Hendon
NW4 2HP

Company registration number 07803827 (England and Wales)

Reference and administrative information

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers National Westminster Bank plc
95 Church Road
London
NW4 4DS

Governors' report Year to 31 August 2016

The governors of Hendon School ('the School') present their annual report together with the financial statements and the auditor's reports of the charitable company for the year to 31 August 2016. The annual report serves the purposes of both a governors' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies on pages 28 to 32 of the attached financial statements and comply with the Academy's Memorandum and Articles of Association, the Companies Act 2006, the Academies Accounts Direction 2015 to 16, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounting 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 2016 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

Hendon School is a single, converter-academy school for pupils aged 11-18, serving the Barnet catchment area in North London. It became an academy in November 2011. The school roll at 31 August 2016 was 1,226 students, updated by the October 2016 census reporting 1,208 students. Of these, there were 86 higher needs students on the school roll at 31 August 2016 and 63 higher needs students in the October 2016 census. Higher needs students include; special education needs (SEN) students, provision for deaf (PDS) students and Hendon autistic resource provision (HARP) students.

Hendon School is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the School. The governors act as trustees for the charitable activities of Hendon School and are also directors of the charitable company for the purposes of company law.

Details of governors who served throughout the period are included in the Reference and Administrative Details 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

Hendon School is a vibrant community of students aged 11-18. The school is based in Hendon, North London and was rated 'Outstanding' by Ofsted in December 2011.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Indemnity Provision

In accordance with normal commercial practice, the School has purchased Risk Protection Arrangement (RPA) insurance from the DfE to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. This has been purchased as part of a wider global insurance premium. It is not possible to separately identify the portion of the overall insurance premium attributable to the indemnity policy. The insurance provides cover of up to £10 million on any one claim.

Governors

The governors are directors of the charitable company for the purposes of the Companies Act 2006. The following governors were in office at 31 August 2016 and served throughout the year except where shown.

Governor	Start date	End date
A Macalpine		8 December 2015
C Maslin		
F Ghaffari		
N J Starling		
B Baumgartner-Cohen		
A Husain-Ali		
L M Varley		
R Povey		
A Winiecki		25 September 2016
N Dunleavy		21 October 2015
R Batra		26 February 2016
J Dunne		18 May 2016
F Conn		6 September 2016
A Woodworth		
S Mehigan		
A Lee-White		17 October 2016
K Kalogirou	28 October 2015	
H Byrne	28 October 2015	
J Shavdia	8 December 2015	

Method of recruitment and appointment or election of governors

In accordance with the Articles of Association, the school governing body can be made of: up to nine community governors; three staff governors elected by employees of the school; up to seven but no fewer than two parent governors elected by the parents of the students at the school and the Headteacher. Governors are appointed by the Governing Body unless stated above.

Where possible the School looks to appoint governors to ensure a mix of skills and selects new governors on the basis of background, experience and specialist skills. Governors are recruited from a number of different places.

All governors are assigned to one of the following committees: Admissions, Audit, Chairs, Curriculum, Finance and General Purposes, Staffing, Student Welfare.

The terms of reference for each committee are agreed at the first committee meeting of each academic year.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Governors are provided with induction training and a wider programme of training events is organised according to needs. The Headteacher also invites governors to attend in-school training sessions and any other courses which may help to develop governor expertise in particular areas. The School appoints a serving governor as the governor training co-ordinator.

The School also has a designated governors' strategy day every year where the governors review key aspects of the School Improvement Plan and general school strategy.

Organisational structure

The day-to-day running of the school is undertaken by the Headteacher, acting as Accounting Officer, and the Senior Leadership Team (SLT) who will operate within the policies and procedures approved by the governors and based on guidance from the Department for Education (DfE). Major decisions in respect of significant expenditure and major capital projects are referred to the governors for prior approval.

Arrangements for setting pay and remuneration of key management personnel

The Performance Monitoring Group, a Committee of the Governing Body sets and reviews the performance of the academy's key management personnel i.e. Headteacher and members of the senior leadership team. Benchmarking is done on an ad hoc basis, depending on the role and would be done by comparing the salaries offered in advertisements of similar institutions.

Connected organisations, including related party relationships

Hendon School works with the DfE and its agency the Education Funding Authority (EFA). It also maintains close and regular links with the London Borough of Barnet (LBB) relating to student intake, statemented higher needs students and income-sharing relating to the Pursley Road sports facility. Hendon School also has various links with Barnet secondary schools and neighbouring primary schools.

OBJECTIVES AND ACTIVITIES

Objects and aims

The company's objects, as set out in the Memorandum and Articles of Association, are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

Hendon School aims to create an environment enabling all students to achieve their potential. The new school vision, adopted in 2015, has four broad themes of; believe, achieve, lead and belong.

Through the vision, the school aims to provide students with a high quality education and a wide range of opportunities. This is done in a way which is consistent with the ethos that every child will be valued, respected and cared for, and through a daily moral purpose, to provide the best learning experience for all.

OBJECTIVES AND ACTIVITIES (continued)

Objects and aims (continued)

The primary objective is to provide education for students of all abilities, between the ages of 11 and 18. All children who apply are admitted in accordance with the admissions arrangements that have been determined (which are in accordance with the School Admissions Code and the Funding Agreement).

Hendon School is an oversubscribed school where Year 7 applicants are required to take a standardised national test. On the basis of the results of the test, applicants are placed in one of three bands and places are allocated in proportion to the students in each band.

Band A: scoring equivalent to the top 25% of the population as a whole

Band B: scoring equivalent to the middle 50% of the population as a whole

Band C: scoring equivalent to the lowest 25% of the population as a whole

This banding system ensures that the school provides an education for all levels of pupils whilst fulfilling social need. Where applications for admission to years 7-11 exceed the number of places available, the following criteria will be applied independently to the groups of applicants in each band in the sequence indicated in order to determine the offer of places.

Criterion 1

All looked-after children and previously looked-after children (see the definition in Section 22(1) of the Children's Act 1989) for whom placement at Hendon School is deemed by the London Borough of Barnet to be appropriate.

Criterion 2

Children who are deaf, or who have an Autistic Spectrum Condition (ASC) for whom placement at Hendon School is deemed appropriate by the London Borough of Barnet and the School to be appropriate. The PDS (Provision for Deaf Students) and the HARP (Hendon Autistic Resource Provision) offer a maximum of 20 students in each provision.

Criterion 3

Children with brother* or sister* already at the school and still expected to be at the school when transfer takes place. For the purpose of criterion 3, 'brother' or 'sister' means either (a) a child having a least one natural parent (or by legal adoption) in common with the applicant, or

(b) a child related to the applicant as a step-sibling, by the inter-marriage of one of each of their parents prior to the date of application and living at the same address Monday-Friday.

Criterion 4

Children who have previously been on the school register and came off the register due to a change of home address.

OBJECTIVES AND ACTIVITIES (continued)

Objects and aims (continued)

Criterion 5

Children of any permanent members of staff. A 'Staff Child' is defined in these criteria as a child who lives as the staff member's son or daughter in the same house, including natural born, adopted, step and foster son or daughter.

Criterion 6

Distance will be used as a 'tie-breaker' if two or more applicants are equally qualified for a place in any of the above criteria. The distance of children's homes will be measured from the main school gate in straight line, those living nearer being accorded priority. For year 7 applications the distance between these points is calculated using Barnet Council's computerised geographical information system. For Year 8 to 11 applications this is calculated using an online programme. The School may ask for proof of address where it is unclear whether the child meets the published oversubscription criteria. The home address will be determined as the address that the child resides for the greater proportion of the week. If two students are equally placed in terms of distance for one remaining place, then the Chair of the Governing Body shall toss a coin to decide the remaining place. Note: When the over-subscription criteria are applied for one remaining place to applications made on behalf of twins, triplets and other multiple-births, the School will admit all siblings even if this means the published admissions number is exceeded.

The Admissions Forum or the local education authority may require the School to admit exceptionally a child, either outside the normal admission arrangements or in excess of the published admission limit under the fair access protocol.

Sixth Form admissions

The School will admit up to 300 students across Years 12 and 13. Academic entry requirements are set for entry into the Sixth Form, these entry requirements are the same for internal and external applicants. Students who currently attend Hendon School will be given priority over external applicants. The highest priority for oversubscription criteria is given to looked-after children and previously-looked-after children who meet the academic entry criteria.

Public Benefit

In setting the School's objectives and planning its activities, the governors have given careful consideration to the Charity Commission's general guidance on public benefit.

STRATEGIC REPORT

Achievements and performance

This year there were 6 key aims:

1. To maintain excellent achievement across all key stages.
2. To maintain outstanding teaching and learning in all lessons, with increased focus on our most able students, specific groups of students and the marking and assessment of students work.
3. Focus on pupil behaviour around school.
4. Embed stronger community links throughout the School.
5. Improve financial systems and premises management.

Key financial performance indicators

Key Performance Indicator	1 Sept 2015 - 31 Aug 2016	1 Sept 2014 - 31 Aug 2015
Cumulative surplus on unrestricted funds	£134,285	£18,729
Restricted general fund	£891,335	£440,947
Cash at bank and in hand	£1,715,073	£671,843
In year surplus before depreciation and actuarial loss on pensions and excluding capital grants and gains on investment assets	£452,447	£496,562
Total Income	£10,249,731	£9,758,641
Staff income ratio (including FRS 102 pension adjustment, but excluding capital funding)	80%	78%

Key financial targets for the coming year are to:

- Improve financial sustainability, including by reducing the staff/income ratio and by diversifying income sources,
- Preserve solvency by maintaining sufficient cash balances to provide for critical expenditure, including salaries and supplier payments,
- Ensure sufficient cash reserves are accumulated for necessary investment in IT and premises infrastructure, on a rolling-investment basis.

Financial review

Financial report for the year

The majority of the School's income is obtained from the EFA in the form of recurrent grant, the use of which is restricted to particular purposes. The grants received during the year ended 31 August 2016 and the associated expenditure, are shown as restricted funds in the Statement of Financial Activities.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial report for the year (continued)

The School's total income was £10,249,731 (2015 - £9,758,641) and the total expenditure was £9,506,748 (2015 - £9,508,867) for the year.

At the 31 August 2016, the net book value of fixed assets was £13,220,992 (2015 - £13,308,654) and movements in tangible assets are shown in note 10 to the financial statements. Other than after hours School lettings and tenancy lease agreements, the assets were used exclusively for promoting and providing education and the associated support services to students of the School.

Financial position

On 31 August 2016, the School held total funds of £11,683,313 (2015 - £12,702,330) comprising of £11,549,028 (2015 - £12,683,601) of restricted funds (including a pension deficit of £3,631,000; (2015 - £1,641,000) and a cumulative surplus on unrestricted funds of £134,285 (2015 – surplus of £18,729). The total funds excluding the pension deficit are £15,314,313 (2015 - £14,343,330).

The year to 31 August 2016 saw an in-year surplus of £452,447 before capital income and depreciation, revaluation gains and actuarial loss on pensions. The Capital income components cover two things: £27,241 of Devolved Formula Capital Grant and Conditional Improvement Fund capital grant income of £613,725 (2015 – surplus of £462,562 with £142,082 capital grant income), against a budgeted surplus of £46,720 (with zero assumed capital grant income received).

The 2015/16 favourable variance from budget reflects a combination of extra income, unexpected staff vacancies, spending controls and procurement savings realised.

Looking to the future, the approved budget for the year to 31 August 2017 is for an in-year surplus of £11,452, assuming zero capital grant income and before depreciation and actuarial adjustment on the pension fund.

Financial and risk management objectives and policies

Reserves policy

The governors' policy is that the School should hold sufficient reserves in the form of cash balances to cover:

- ◆ Short term adverse cashflow needs (arising from delays between spending and receipt of grants); and
- ◆ Funds for unexpected emergencies such as urgent maintenance.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial and risk management objectives and policies (continued)

Reserves policy (continued)

The governors have determined that the minimum level of cash balances to meet emergencies and adverse cashflow circumstances is £300,000 (approximately two weeks salary costs). Net cash balances were £1,715,073 at 31 August 2016 and therefore comfortably above the minimum considered necessary.

A rolling nine month cashflow forecast projection is maintained, indicating some level of expected monthly fluctuations arising from its reliance upon quarterly payments for high needs and pupil premium, totalling approximately £1,500,000 per annum entitlement. These are typically paid quarterly in arrears. The cashflow forecast for the future nine months to May 2017 indicates a comfortable buffer above the £300,000 cash reserves required. The underlying cash levels are therefore considered adequate by management.

Note that two of the biggest contributors to the cashflow fluctuation are likely to be:

- ◆ any funds received and spent relating to capital grant funding; and
- ◆ any funds received and spent relating to one-off surplus asset sales.

Hendon School's management will work to ensure that the capital-works cash outflows match capital-works cash inflows as closely as possible, such that the reserves policy is maintained.

Related to the cashflow forecast are detailed IT and Premises Five Year Financial Plans for capital spending. In turn, the Premises Five Year Financial Plan is informed by; the Premises Masterplan design for future building improvements and the timing of capital works projects.

The IT and Premises plans were completed 'bottom up' in May 2015 with review and approval by the Finance and General Purposes Committee. Hendon School's management will ensure that cash outflows relating to such plans are actioned in a way that preserves compliance with the reserves policy. It's likely that income diversification, including fundraising, may need to play some part in bridging the gap between Five Year Plan capital needs and traditional funding sources.

As at 31 August 2016, the Schools reserves comprised unrestricted general funds of £134,285 (2015 – £18,729) and restricted general funds of £891,335 (2015 - £440,947).

Hendon School's management consider these reserve levels to be appropriate, given the cyclical needs of the school for premises and IT infrastructure spending and the need to provide for a pension fund deficit.

STRATEGIC REPORT (continued)

Financial review (continued)

Reserves policy (continued)

The amount of total funds at the 31 August 2016 are £11,683,313 of which £11,549,028 are restricted and not available for general purposes.

The restricted fund consists of a fixed assets fund totalling £14,288,693 which can only be realised by disposing of tangible fixed assets.

Other restricted funds are a general fund of £891,335 and a pension reserve of (£3,631,000). The unrestricted general fund has a balance of £134,285 at the year ended 31 August 2016.

The pension reserve deficit is being managed by the Local Government Pension Scheme (LGPS) and is not directly under the control of the School.

The School has strengthened its going-concern status relating to the next two years.

After making appropriate enquiries, the Governing Body has a reasonable expectation that the School has the basic resources, management skills and plans 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.

Investment policy

The School's liquid assets are held as cash balances. The School does not invest these balances in longer term deposits, or other investment vehicles. Should it wish to do so in the future, the governors will consider such a recommendation by the School's management.

PRINCIPAL RISKS AND UNCERTAINTIES

In common with every school in the country, funding is dependent on government policy. Hendon School is working with the local authority to identify the potential implications of any Government proposals to change funding methodology for state-funded schools. Governors have accordingly been prudent in the budgeting for the future.

The deficit in the Local Government Pension Scheme rose by £1,990,000 in the year to £3,631,000 and there is continuing uncertainty in any defined benefit scheme of this type. Refer to note 20 for more details.

STRATEGIC REPORT (continued)

Risk management

Hendon School has a formal risk management process in place to assess all risks and implements risk management strategies. The process, which is overseen and reviewed by the Governing Body on an annual basis, identifies the types of risk the School faces. These risks are then assessed and prioritised in terms of their potential impact and the likelihood of occurrence. Where necessary, actions to mitigate the risks identified are put in place. The School Risk Register supporting the process, holds the details of these risks, risk owners and risk ratings. Key risks are assigned to the relevant committees to review at their meetings.

Further details of the School's processes to manage risk are provided within the Governance Statement.

Plans for future periods

The school plans for future periods include; to grow the sixth form numbers, modernise old school buildings and provide a comprehensive curriculum offering to students. Due to the complexities of running a school in a fast-paced, rapidly-changing environment, the school has learned to integrate its activities, continually update its plans, invest in staff skills development and keep communicating well with its stakeholders.

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, incorporating a strategic report, approved by order of the members of the board of governors on _____ and signed on its behalf by:



Chair of Governors

Date: 13/12/2016

Scope of responsibility

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

The Board of Governors have delegated the day-to-day responsibility of running the school to the Headteacher and, as Accounting Officer, the Headteacher has responsibility 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 School and the Secretary of State for Education. The Headteacher is also responsible for reporting to the Board of Governors any material weaknesses, or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The Board of Governors has formally met 5 times during the year, including 4 ordinary meetings and 1 extra-ordinary meeting. Attendance during the year at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
A Macalpine (Chair until 8 December 2015)	2	2
C Maslin (Vice-Chair)	5	5
R Povey (Headteacher)	5	5
F Ghaffari (Chair from 8 December 2015)	5	5
N Starling	3	5
B Baumgartner-Cohen	4	5
A Husain-Ali	4	5
L Varley	4	5
J Dunne	2	3
R Batra	2	2
F Conn (maternity leave)	0	0
A Winiecki	2	5
A Woodworth	3	5
A Lee-White	1	5
S Mehigan	5	5
H Byrne	3	4
N Dunleavy	1	1
K Kalogirou	3	4
J Shavdia	3	4

Governance Review

Regarding the Governing Body self-evaluating its performance effectiveness, the Governing Body undertook both a skills audit and training needs analysis in June 2016 co-ordinated by the link Governor for Training and Development. The results were reviewed and discussed at the Governing Body meeting in July 2016 and the results will be used to steer future Governor recruitment and training as well as a precursor to the Governing Body self-evaluation. In-house Governor workshops and training took place including on Female Genital Mutilation (FGM) and E-safety, Curriculum change, Special Educational Needs and PREVENT. Further workshops are being planned for the 2016/17 academic year.

The Finance and General Purposes Committee is a committee of the main Board of Governors. Its purpose is to oversee finance, premises, health and safety and other business management issues; approving the annual budget, medium term plans and virements against budget. During the year, the Committee met 4 times.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
F Ghaffari (Chair)	4	4
A Macalpine	1	1
C Maslin	3	4
R Povey	4	4
B Baumgartner-Cohen	2	4
R Batra	1	2
N J Starling	3	4
A Woodworth	2	4

Audit

The Audit Committee's purpose is to monitor internal controls and risk management systems, the effectiveness of internal and external audit activity and the integrity of the financial statements. During the year, the Committee met 4 times.

Governor	Meetings attended	Out of a possible
A Woodworth (Chair)	4	4
F Ghaffari	3	4
L Varley	4	4
R Povey (in attendance)	4	4
S Mehigan	2	2

Review of Value for Money

Firstly, as the designated Accounting Officer, the Headteacher has responsibility for ensuring that the academy trust 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 Hendon School's use of its resources has provided good value for money during the academic year, and reports to the Board of Governors where value for money can be improved, including via the use of benchmarking data, where available.

Review of Value for Money (continued)

The Accounting Officer for Hendon School has delivered and improved value for money during the year in the following 5 areas.

(1) Financial governance and oversight

Through the provision of more accurate and timely financial data and analysis, decision making on spending proposals has been made more effective. Some examples include the following; providing analysis of the teaching cover costs to better understand which costs are offset by short term vacancies and which relate to sickness cover, report on the financial results of school events, fundraising & trips. Considerable time was also spend developing a comprehensive Five Year Financial Operating Plan, modelling expected changes, dependencies, assumptions and potential initiatives to manage change.

(2) Improved procurement (cost and quality improvements)

During the year, the School devoted considerable scrutiny over invoices, contracts and services received. Procurement improvements were realised in the 2015/16 year in a number of areas including; utilities and IT costs.

The School is an active member of the Barnet School Business Managers' forum, which amongst other things, shares information about local suppliers for various school services. The School is also an active member of the Challenge Partners group of schools, who work to share good practice and improve education nationally.

(3) Maximising Income generation

During the year, the School took steps to sell an adjacent property on the open market (the Caretaker's House) which was surplus to requirements. Funds raised will directly support educational building improvements on the school site in due course. The School won a Condition Improvement Fund (CIF) grant totalling £1.2M to replace windows and roofs on three adjoining classroom blocks, with the works commencing in August 2016. The School also secured donations from a charitable trust to help refurbish the Student Services offices.

(4) Reviewing controls and managing risks

Ensuring value for money is arguably also about avoiding costs and penalties. During the year, the School further developed its internal controls and in-year forecasting processes. Monthly management reports are reviewed, with spending variances from budget identified early and followed up with intervention. Regular cashflow forecasts are produced and investments managed to secure a reasonable low-risk return.

Periodic Risk Register reviews are an item on the Governing Body Committee agendas. To elaborate, Governing Body Committees are assigned one or more of the risks as appropriate, with responsibility to follow up on actions taken to mitigate these risks. See also the section below on Capacity to handle risk

(5) Cost reviews

Pre- and post-academy conversion date, Hendon School has operated with a high staff / income ratio, with staff costs being by far the largest School operating cost. This reflected the desire to focus resource on teaching standards and the educational benefit for pupils. It has however meant insufficient cash reserves were accumulated for necessary capital investment in IT and premises infrastructure, on a rolling-investment basis, causing premises repair and energy costs to rise unduly.

Review of Value for Money (continued)

Some progress was made in 2015/16 to restructure staff roles and responsibilities in line with emerging School needs. Such needs include the need for financial sustainability and the need to deliver a high quality teaching and learning experience for the students. Ongoing cost reviews will prevail since with likely EFA 'flat funding' per student in future, coupled with a modest number of staff retirements, modest staff turnover levels and rising staff costs, reviews remain a necessary component in achieving financial sustainability.

The historic low investment in IT infrastructure (pre and post academy conversion) has led to various inefficiencies in support process administration. Future planned investment in this area will act to create greater teaching impact and free up staff time for higher value-adding activities. A future program of investment in premises to match curriculum demand with room capacities and room requirements will also enable a better achievement of value for money for the School and the taxpayer.

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 School'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.

Capacity to handle risk

The Board of Governors and its Committees have reviewed the key risks to which the School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the School's significant risks that has been in place for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

A recent re-evaluation indicates the following to be the principal risks to which the school is exposed.

- ◆ Safety and behaviour of students at school and in the community. Risk mitigations include; active supervision and monitoring, a visitor pass system, Disclosure and Barring Service checks, updating conduct policies and performing risk assessments concerning trips.
- ◆ Cost efficiency of staffing. Risk mitigations include; using staff turnover opportunities to review future needs, setting cascading goals and targets, investing in leadership development and diversifying income sources to grow income.

Capacity to handle risk (continued)

The School continues to improve controls and procedures to address any significant risks. Each significant risk (based on a combination of probability and magnitude) has been assigned to a committee of the Board of Governors to monitor and review the risk mitigations concerned.

The risk and control framework

The School's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should be realised, and to manage them efficiently, effectively and economically.

Work continues to review operating costs, both staffing and non staffing in nature and to improve supplier contract management. Further income diversification and income improvement initiatives will likely result in improved levels of income in the future.

The Board of Governors is satisfied that it has a plan in place to improve processes and controls to improve compliance with the standards expected under the Academies Financial Handbook and internal policies and to improve the achievement of value for money. The School employs an adequately resourced and experienced team to maintain these changes and implement further improvements in the business management function.

The framework for risk and control has been improved by the operation of the Audit Committee to oversee the improvements necessary and includes:

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Governors
- ◆ regular reviews by the Finance and General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- ◆ setting targets to measure financial and other performance
- ◆ clearly defined purchasing (asset purchase or capital investment) guidelines
- ◆ delegation of authority and segregation of duties
- ◆ identification and management of risks
- ◆ declaration of member conflicts of interest

The risk and control framework (continued)

The Board of Governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Buzzacott LLP, the external auditor, to conduct additional internal control checks (previously known as 'Responsible Officer').

The internal control checks include giving advice on financial matters and performing a range of checks on the School's financial systems. On a termly basis, Buzzacott report to the governors via the Audit Committee, on the operation of the systems of control and on the discharge of the Board of Governors' financial responsibilities.


Review of effectiveness

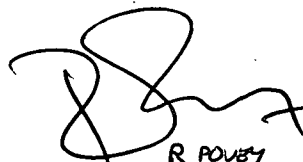
As Accounting Officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal controls. During the year in question, the review has been informed by:

- ◆ the work of the external auditor;
- ◆ the additional internal control checks completed via the external auditor;
- ◆ an internal review of compliance with internal policies and The Academies Financial Handbook
- ◆ the work of the Senior Leadership Team

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

Approved by order of the Board of Governors and signed on their behalf by:


F. CHAFFARI
(Chair of Governors)


R. POVEY
(Accounting Officer)

Approved on: 13/12/2016

14.12.16

Statement on regularity, propriety and compliance 31 August 2016

As Accounting Officer of Hendon School, I have considered my responsibility to notify the academy trust Board of Governors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding; under the funding agreement in place between the academy trust and the Secretary of State. 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 Board of Governors are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook.

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



R POVEY
Accounting Officer

Date: 14.12.2016

Statement of governors' responsibilities 31 August 2016

The governors (who act as trustees of the School and are also the directors of the School for the purposes of company law) are responsible for preparing the governors' 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 governors to prepare financial statements for each financial year. Under company law, the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the School and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the governors are required to:


- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- ◆ 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 School will continue in operation.

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

The governors are responsible for ensuring that in its conduct and operation the School 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 governors are responsible for the maintenance and integrity of the charity and financial information included on the School'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 governors and signed on its behalf by:


F CHAFFARI
Chair of Governors
Date: 13/12/2016

Independent auditor's report on the financial statements to the members of Hendon School

We have audited the financial statements of Hendon School for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows, 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 2015 to 2016, issued by the Education Funding Agency.

This report is made solely to the charity'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 charity'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.

Respective responsibilities of governors and auditor

The governors act as trustees for the charitable activities of Hendon School and are also the directors of the charity for the purpose of company law.

As explained more fully in the statement of governors' responsibilities set out in the governors' report including the strategic 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 charity'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 including the strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Independent auditor's report on the financial statements 31 August 2016

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year 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 Academies Accounts Direction 2015 to 2016, issued by the Education Funding Agency.

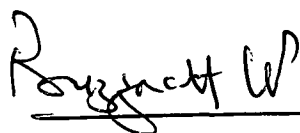
Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the governors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



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

19 December 2016

Independent reporting accountant's report on regularity 31 August 2016

Independent reporting accountant's assurance report on regularity to Hendon School and the Education Funding Agency

In accordance with the terms of our engagement letter dated 24 October 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hendon School during the period from 1 September 2015 to 31 August 2016 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 Hendon School and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Hendon School and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Hendon School and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Hendon School's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Hendon School's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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: Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

Independent reporting accountant's report on regularity 31 August 2016

Approach (continued)

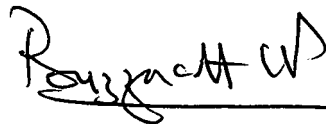
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the academy trust'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 else has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period from 1 September 2015 to 31 August 2016 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

19 December 2016

Statement of financial activities (including income and expenditure account)
Year to 31 August 2016

	Notes	Un- restricted general fund £	Restricted funds		2016 Total funds £	2015 Total funds (restated) £
			General £	Fixed assets fund £		
Income from:						
Donations and capital grants	1	257	—	655,966	656,223	142,465
Other trading activities	2	77,769	—	—	77,769	88,496
Investments	3	7,322	—	—	7,322	4,843
Charitable activities						
Funding for the School's educational operations	4	242,837	9,265,580	—	9,508,417	9,522,837
Total income		328,185	9,265,580	655,966	10,249,731	9,758,641
Expenditure on:						
Charitable activities:						
Academy trust educational operations	6	212,629	8,943,689	350,430	9,506,748	9,542,867
Total expenditure	5	212,629	8,943,689	350,430	9,506,748	9,542,867
Gains on investment assets	10	—	—	77,000	77,000	400,200
Net income before transfers		115,556	321,891	382,536	819,983	615,974
Transfers	13	—	(22,503)	22,503	—	—
Net income		115,556	299,388	405,039	819,983	615,974
Actuarial (losses) gains on defined benefit pension scheme	20	—	(1,839,000)	—	(1,839,000)	14,000
Net movement in funds		115,556	(1,539,612)	405,039	(1,019,017)	629,974
Reconciliation of funds						
Total fund balances brought forward at 1 September 2015		18,729	(1,200,053)	13,883,654	12,702,330	12,072,356
Total fund balances carried forward at 31 August 2016		134,285	(2,739,665)	14,288,693	11,683,313	12,702,330

All of the School's activities derived from continuing operations during the above two financial periods.

All gains and losses are included in the Statement of Financial Activities.

Balance sheet 31 August 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible fixed assets	10		13,220,992		13,308,654
Assets held for sale	10		652,000		575,000
Current assets					
Debtors	11	304,786		371,053	
Cash at bank and in hand		1,715,073		671,843	
		<u>2,019,859</u>		<u>1,042,896</u>	
Liabilities					
Creditors: amounts falling due within one year	12	(578,538)		(583,220)	
Net current liabilities			<u>1,441,321</u>		<u>459,676</u>
Total assets less current liabilities			<u>15,314,313</u>		<u>14,343,330</u>
Pension scheme liability	20		(3,631,000)		(1,641,000)
Net assets including pension scheme liability			<u>11,683,313</u>		<u>12,702,330</u>
Funds of the School					
Restricted income funds					
· Fixed assets fund	13	14,288,693		13,883,654	
· General fund	13	891,335		440,947	
· Pension reserve	13	(3,631,000)		(1,641,000)	
			<u>11,549,028</u>		<u>12,683,601</u>
Unrestricted funds					
· General fund	13		134,285		18,729
Total funds			<u>11,683,313</u>		<u>12,702,330</u>

The financial statements on pages 25 to 51 were approved by the governors, and authorised for issue on 13 December 2016 and are signed on their behalf by:


F CHAFFARI
 Chair of Governors

Hendon School
 Company Limited by Guarantee
 Registration Number: 07803827 (England and Wales)

Statement of cash flows Year to 31 August 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by operating activities	16	642,710	401,897
Cash flows from investing activities	17	400,520	(60,508)
Change in cash and cash equivalents in the reporting period	19	1,043,230	341,389
Cash and cash equivalents at the end of the period		1,715,073	671,843

Principal accounting policies 31 August 2016

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, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102), 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 (FRS102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Transition to FRS 102

First time adoption of FRS 102

These financial statements are the first financial statements of Hendon School prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Hendon School for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Explanation of transition to FRS 102

It is the first year that the academy trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Transition to FRS 102 (continued)

Explanation of transition to FRS 102 (continued)

There was no difference between the total funds reported under FRS 102 and previous UK GAAP. A reconciliation and description of the effect of the transition to FRS 102 and SORP 2015 on the net income for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of net income / (expenditure)	2015 £
Net income / (expenditure) previously reported under UK GAAP	649,974
Change in recognition of LGPS interest cost (A)	(34,000)
Net movement in funds reported under FRS 102	615,974

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the academy trust recognised an expected return on defined benefit plan assets in expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in expenditure. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expenditure by £34,000 and reduce the debit in other recognised gains and losses in the statement of financial activities by an equivalent amount.

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 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.

The governors have confidence in the ability of the School to deliver the budgeted surplus of £11,452 in the coming year. In addition, regular cashflow forecasts are produced and indicate that cash balances will rise moderately, but steadily over the year. Medium term financial plans indicate the School will maintain a cumulative surplus in the 2016/17 financial year. These projections are based on prudent assumptions regarding income and expenditure.

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.

Income

All income is recognised when the academy trust 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.

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.

◆ **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.

◆ **Donated goods, facilities and services**

Donated facilities and services provided to the academy trust are recognised at their value to the academy trust in the period when it is probable that the economic benefits associated with the donated items will flow to the academy trust, provided they can be measured reliably. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities.

Donated goods are recognised at fair value unless it is impractical to measure this reliably in which case a derived value, being the cost of the item to the donor (for example sponsor services), is used. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities except where the donated good is a fixed asset in which case the gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

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 academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset 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 – 10 % per annum |
| ◆ Fixtures, fittings and equipment | 20% per annum |
| ◆ Computer equipment | 25% per annum |

Tangible fixed assets (continued)

- ♦ Motor vehicles 20% per annum

Depreciation is charged from the month of acquisition.

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

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

Current asset investments

Assets designated as current asset investments are included at market value. Investment assets are not depreciated. Changes in value are reported in the "gains and losses on investment assets" section of the Statement of Financial Activities.

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 academy trust 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.

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Leased assets

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

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 and the assets are held separately from those of the School.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, 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 governor 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.

Fund accounting (continued)

Restricted general 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.

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.

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 20, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2015. 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.

Notes to the Financial Statements Year to 31 August 2016

1 Donations and capital grants

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Capital grants	—	640,966	640,966	142,082
Other donations	257	15,000	15,257	383
	<u>257</u>	<u>655,966</u>	<u>656,223</u>	<u>142,465</u>

2 Other trading activities

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Hire of facilities	49,419	—	49,419	76,196
Graduate training income	28,350	—	28,350	12,300
	<u>77,769</u>	<u>—</u>	<u>77,769</u>	<u>88,496</u>

3 Investment Income

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Interest receivable	7,322	—	7,322	4,843

Notes to the Financial Statements Year to 31 August 2016

4 Funding for School's educational operations

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
DfE / EFA revenue grant				
. General Annual Grant (GAG)	—	7,548,690	7,548,690	7,714,084
. Other DfE / EFA	—	433,271	433,271	459,368
	—	7,981,961	7,981,961	8,173,452
Other government grants				
. Local authority grants	—	1,273,668	1,273,668	1,142,325
. Other government grants	—	9,951	9,951	20,334
	—	1,283,619	1,283,619	1,162,659
Other income	242,837	—	242,837	186,726
	242,837	9,265,580	9,508,417	9,522,837

5 Expenditure

	Non pay expenditure			2016 Total funds £	2015 Total funds (restated) £
	Staff costs £	Premises £	Other costs £		
Expenditure on raising funds					
Academy's educational operations:					
. Direct costs	6,195,027	350,430	603,675	7,149,132	7,458,020
. Allocated support costs	1,500,132	459,014	398,470	2,357,616	2,084,847
	7,695,159	809,444	1,002,145	9,506,748	9,542,867

Net income (expenditure) for the period includes:

Operating lease rentals		
Depreciation		
Fees payable to auditor for:		
. Audit	14,150	16,145
. Other services	2,925	13,078

Notes to the Financial Statements Year to 31 August 2016

5 Charitable activities - School's educational operations

	2016 Total funds £	2015 Total funds (restated) £
Direct costs		
Direct costs	7,149,132	7,458,020
Support costs	2,357,616	2,084,847
	<u>9,506,748</u>	<u>9,542,867</u>
Analysis of support costs		
Support staff costs	1,500,132	1,170,899
Technology costs	180,665	117,223
Premises costs	278,349	335,380
Other support costs	370,628	429,134
Governance costs	27,842	32,211
	<u>2,357,616</u>	<u>2,084,847</u>

The above comparatives have been reanalysed in order to bring them up to date with current Academies Accounts Direction headings.

6 Staff

a) Staff costs

Staff costs during the year were:

	2016 Total funds £	2015 Total funds £
Wages and salaries	6,014,625	6,018,420
Social security costs	502,052	465,331
Pension costs	994,797	923,051
	<u>7,511,474</u>	<u>7,406,802</u>
Freelance and other staff costs	183,685	228,504
	<u>7,695,159</u>	<u>7,635,306</u>

b) Staff severance payments

There were no non-statutory / non-contractual severance payments during the year (2015 – Nil).

c) Staff numbers

The average numbers of persons (including senior management team) employed by the School during the year was as follows:

Charitable activities	2016 £	2015 £
Teachers	114	124
Administration and support	116	113
Management	4	3
	<u>234</u>	<u>240</u>

7 Staff (continued)

c) Staff numbers (continued)

The average numbers of persons (including senior management team) employed by the School during the year expressed on a full time equivalent basis was as follows:

	2016 No	2015 No
Charitable activities		
Teachers	94	104
Administration and support	75	74
Management	4	3
	173	181

d) Higher paid staff

The number of employees whose benefits (excluding employer pension costs) exceeding £60,000 were:

	2016 No	2015 No
£60,001 - £70,000	2	4
£70,001 - £80,000	1	—
£100,001- £110,000	1	1

In 2016, three of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, pension contributions for these three staff amounted to £40,250 (2015 - £51,214 for five staff). In 2016 one employee participated in the Local Government Pension Scheme. During the year ended 31 August 2016, pension contributions for this member of staff amounted to £8,819 (2015 - Nil).

e) Key management personnel

The key management personnel of the academy trust comprise the governors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £625,778 (2015 - £703,546).

8 Trustees' remuneration and expenses

The Headteacher and staff governors (who are trustees) only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the School in respect of their role as governors. The value of governors' remuneration and other benefits was as follows:

	2016 £	2015 £
Rhona Povey, Headteacher	£105,001 - £110,000	£100,001 - £105,000
. Employer's pension contributions	£15,000 - £20,000	£10,000 - £15,000
A Winiecki, staff governor	£45,001 - £50,000	£45,001 - £50,000
. Employer's pension contributions	£5,000 - £10,000	£5,000 - £10,000
E Peto, staff governor until 31 Aug 2015	—	£25,001 - £30,000
. Employer's pension contributions	—	£0 - £5,000
S Nagle, staff governor until 24 July 2015	—	£40,001 - £45,000
. Employer's pension contribution	—	£5,000 - £10,000
K Kalogirou, staff governor	£30,001 - £35,000	—
. Employer's pension contribution	£5,000 - £10,000	—
H Byrne, staff governor	£30,001 - £35,000	—
. Employer's pension contribution	£0 - £5,000	—

During the year ended 31 August 2016, there were no travel and subsistence expenses reimbursed to governors (2015 - none).

Other related party transactions involving the governors are set out in note 21.

9 Trustees' and Officers' insurance

In accordance with normal commercial practice, the School has purchased Risk Protection Arrangement (RPA) insurance from the DfE to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. This has been purchased as part of a wider global insurance premium. It is not possible to separately identify the portion of the overall insurance premium attributable to the indemnity policy. The insurance provides cover of up to £10 million on any one claim.

Notes to the Financial Statements Year to 31 August 2016

10 Tangible fixed assets

	Freehold and leasehold, land and buildings £	Computer equipment and software £	Furniture equipment £	Motor vehicles £	Total £
Cost/valuation					
At 1 September 2015	14,250,691	273,662	217,837	40,363	14,782,553
Additions	213,024	8,849	40,895	—	262,768
At 31 August 2016	14,463,715	282,511	258,732	40,363	15,045,321
Depreciation					
At 1 September 2015	1,083,137	255,482	106,243	29,037	1,473,899
Charge in year	292,250	16,051	35,256	6,873	350,430
At 31 August 2016	1,375,387	271,533	141,499	35,910	1,824,329
Net book value					
At 31 August 2016	13,088,328	10,978	117,233	4,453	13,220,992
At 31 August 2015	13,167,554	18,180	111,594	11,326	13,308,654

The Golder's Rise land on which the School is sited has not been included in these financial statements, because the site is designated for educational purposes and has no open market value.

The academy trust owns and leases out playing fields land at Pursley Road, Hendon to a commercial tenant at a rate of £20,000 per annum (Hendon School share), subject to a five year, inflation-indexed rental review, on a 99 year lease commencing in 1998. Under the terms of the lease agreement, 50% of the gross rental income is payable the London Borough of Barnet.

During the year ended 31 August 2016, the School received Condition Improvement Funding amounting to £613,725, which is part of a total funding of £1,177,007. The remainder will be received in 2016/17. The total funding includes Salix loans of £78,182, repayable over a 5 and 8 year period. These loans are not separately identified on the payment schedules provided by the EFA and will be accounted for in 2016/17 along with the remaining capital funding.

	2016 £	2015 £
Assets held for sale		
Caretaker's House	652,000	575,000

The academy trust also owns a residential property (traditionally the Caretaker's house) adjacent to the School site. Following the Governing Body's July 2015 approval of the proposal to sell this asset, the governors applied to the EFA to sell the property for educational purposes. The EFA granted permission for the sale of the property. The asset was sold for £652,000 on 26 September 2016. The increase in value between 31 August 2015 and the sale date has been reflected in the assets held for sale.

Notes to the Financial Statements Year to 31 August 2016

11 Debtors

	2016 £	2015 £
Trade debtors	20,529	44,860
Prepayments and accrued income	170,979	130,342
Other debtors	7,185	156,025
VAT recoverable	106,093	39,826
	<u>304,786</u>	<u>371,053</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	400	27,843
Payroll, taxation and social security	254,975	245,611
Accruals	224,346	219,523
Other creditors	48,508	72,312
Deferred income	50,309	17,931
	<u>578,538</u>	<u>583,220</u>

Deferred income

Deferred Income at 1 September 2015	17,931	83,868
Amounts release from previous years	(17,931)	(83,868)
Resources deferred in the year	50,309	17,931
Deferred Income at 31 August 2016	<u>50,309</u>	<u>17,931</u>

Deferred income of £50,309 relates to trip monies from pupils, Powerleague rental income and DfE income received in advance (2015 - £17,931 music and DfE income received in advance).

Notes to the Financial Statements Year to 31 August 2016

13 Funds

	Balance at 1 September 2015 £	Income £	Expenditure £	Gains, (losses) and transfers £	Balance at 31 August 2016 £
Restricted general fund					
· General Annual Grant (GAG)	440,947	7,548,690	(7,075,799)	(22,503)	891,335
· Other EFA grants	—	433,271	(433,271)	—	—
· Other government grants	—	1,283,619	(1,283,619)	—	—
· Pension reserve	(1,641,000)	—	(151,000)	(1,839,000)	(3,631,000)
	<u>(1,200,053)</u>	<u>9,265,580</u>	<u>(8,943,689)</u>	<u>(1,861,503)</u>	<u>(2,739,665)</u>
Fixed assets fund					
· Items on conversion	12,974,408	—	(302,066)	—	12,672,342
· Capital grants from Local Authority	443,695	640,966	(48,364)	—	1,036,297
· Capital expenditure from GAG	65,351	—	—	22,503	87,854
· Donation	—	15,000	—	—	15,000
· Revaluation reserve	400,200	—	—	77,000	477,200
	<u>13,883,654</u>	<u>655,966</u>	<u>(350,430)</u>	<u>99,503</u>	<u>14,288,693</u>
Unrestricted funds					
· Unrestricted funds	18,729	328,185	(212,629)	—	134,285
Total unrestricted funds	<u>18,729</u>	<u>328,185</u>	<u>(212,629)</u>	<u>—</u>	<u>134,285</u>
Total funds	<u>12,702,330</u>	<u>10,249,731</u>	<u>(9,506,748)</u>	<u>(1,762,000)</u>	<u>11,683,313</u>

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

EFA revenue grant fund and other restricted funds

General Annual Grant (GAG)

The GAG is provided by the Secretary of State through the Education Funding Agency (EFA) to cover the normal running costs of the School. Transfers from the unrestricted general fund to this fund represents the excess of expenditure over the GAG receivable for the period which was settled through the School's own funds. Transfers from this fund to the fixed assets fund represents the purchase of fixed assets from GAG funding. Under the funding agreement with the Secretary of State, the School was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

Other EFA revenue grants

This fund comprises other revenue grants received from the Education Funding Agency which are provided for specific purposes and includes the Pupil Premium grant.

13 Funds (continued)

EFA revenue grant fund and other restricted funds (continued)

Pension reserve

The pension reserve relates to the deficit on the School's share of the Local Government Pension Scheme liability for support staff. Whilst the fund is currently in deficit, the liability is not expected to crystallise in the short-term.

Fixed asset fund

These funds relate to the School's holding of tangible fixed assets. Transfers from the General Annual Grant fund to this fund represents the purchase of tangible fixed assets from GAG funding. The biggest item is the Condition Improvement Fund grant of £613,725 for the windows and roof replacement. The remainder of this grant (£563,282) will be received in 2016-17.

14 Analysis of net assets between funds

	Unrestricted funds £	Restricted General Funds £	Restricted Fixed Asset Fund £	Total 2016 £
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	—	—	13,220,992	13,220,992
Current assets	134,285	1,469,873	1,067,701	2,671,859
Current liabilities	—	(578,538)	—	(578,538)
Pension scheme liability	—	(3,631,000)	—	(3,631,000)
Total net assets	134,285	(2,739,665)	14,288,693	11,683,313

15 Financial commitments

Operating leases

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Amounts due within one year	22,959	23,759
Amounts due between one and five years	44,199	65,797
	67,158	89,556

Notes to the Financial Statements Year to 31 August 2016

16 Reconciliation of net income to net cash provided by from operating activities

	2016 £	2015 £
Surplus on continuing operations after depreciation of assets at valuation	742,983	249,774
Depreciation (note 10)	350,430	388,870
Capital grants from DfE and other capital income	(655,966)	(142,082)
Interest receivable (note 3)	(7,322)	(4,843)
Local government pension cost less contributions payable (note 20)	85,000	94,000
Local government pension finance income (note 20)	66,000	25,000
Decrease/(increase) in debtors	66,267	(108,808)
Decrease in creditors	(4,682)	(100,014)
Net cash inflow from operating activities	642,710	401,897

17 Cash flows from investing activities

	2016 £	2015 £
Dividends, interest and rents from investments	7,322	4,843
Purchase of tangible fixed assets	(262,768)	(207,433)
Capital grants from DfE/EFA	655,966	142,082
Net cash provided by / (used in) investing activities	400,520	(60,508)

18 Analysis of cash and cash equivalents

	At 1 September 2015 £	Cashflows £	At 31 August 2016 £
Cash in hand and at bank	671,843	1,043,230	1,715,073

19 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.

20 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 London Borough of Barnet. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Teachers' Pension Scheme

Introduction

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

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.

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

Valuation of the Teachers' Pension Scheme

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 were:

- ◆ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (previously 14.1%);
- ◆ total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- ◆ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

20 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme (continued)

The new employer contribution rate was applicable from 1 April 2015 and was implemented for the TPS from September 2015.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>).

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS:

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications was rolled out and the reformatted scheme commenced on 1 April 2015.

20 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Teachers' Pension Scheme Changes (continued)

Under the definitions set out in Financial Reporting Standard 102, 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 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.

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 2016 was £394,000 of which employer's contributions totalled £303,000 and employees' contributions totalled £91,000. The agreed contribution rates for future years are 13.5% for employers and between 5.5% and 9.9% for employees until 31 March 2017. The employer also has to pay £108,000 as an annual monetary amount as additional employer contribution. The monetary amount rises to £111,000 for 2015-16 and £114,000 in 2016-17. The common rate of contribution as defined by Regulation 36 for the period 1 April 2014 to 31 March 2017 is 24% of pensionable payroll.

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.

Principal Actuarial Assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	4.1%	4.5%
Rate of increase for pensions in payment / inflation	2.1%	2.7%
Discount rate for scheme liabilities	2.0%	4.0%
Inflation assumption (CPI)	2.1%	2.7%

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 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.1	22.1
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.2	24.2
Females	26.8	26.8

20 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

	Fair value at 31 August 2016 £'000	Fair value at 31 August 2015 £'000
Equities	1,969	1,249
Gilts	—	1
Bonds	596	596
Cash	26	13
Total market value of assets	2,591	1,859
Present value of scheme liabilities	(6,222)	(3,500)
(Deficit) in the scheme	(3,631)	(1,641)

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

	2016 £'000	2015 £'000
Amounts recognised in statement of financial activities		
Current service costs (net of employee contributions)	390	384
Net interest cost	66	59
Total operating charge	456	443

Analysis of other recognised gains and losses recognised in statement of financial activities

Actuarial (loss) gain on pension scheme obligations	(2,218)	86
Actuarial gain (loss) on pension scheme assets	379	(72)
Net loss (gain)	(1,839)	14

20 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the overall deficit were as follows:	2016 £'000	2015 £'000
Deficit at 1 September 2015	(1,641)	(1,502)
Current service cost	(390)	(384)
Net Interest cost	(66)	(59)
Employer contributions	303	288
Actuarial (gain) / loss	(1,839)	14
Unfunded pension payments	2	2
At 31 August 2016	(3,631)	(1,641)

Movements in the present value of defined benefit obligations were as follows:	2016 £'000	2015 £'000
Deficit at 1 September 2015	3,500	3,109
Current service costs	390	384
Interest costs	146	127
Employee contributions	90	88
Actuarial loss/(gain)	2,218	(86)
Unfunded pension payments	(2)	(2)
Benefits paid	(120)	(120)
At 31 August 2016	6,222	3,500

Movements in the fair value of School's share of scheme assets:	2016 £'000	2015 £'000
At 1 September 2015	1,859	1,607
Expected return on assets	80	68
Actuarial gain/(loss)	379	(72)
Employer contributions	305	290
Employee contributions	90	88
Benefits paid	(122)	(122)
At 31 August 2016	2,591	1,859

The estimated value of the employer contributions for the year ended 31 August 2017 is £306,000.

21 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, transactions may take place with organisations in which a member of the governor has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

The School had the following related party transactions during the year:

The Compton

The School received an income of £28,350 (2015 - £12,300) from The Compton School for trainee teachers seconded to Hendon School. The Compton is a Teaching School and the hub school for a network of linked schools of which Hendon School is one. The Principal of The Compton is connected to the former Chair of Governors of Hendon School, Mr Andrew Macalpine. No sums were outstanding from The Compton School at 31 August 2016.

Middlesex University

The School received £NIL (2015 - £845) in income for PGCE students placed at the School. There were no sums outstanding at 31 August 2016. The Chair of the School's Finance and General Purposes Committee, Mrs Firoozeh Ghaffari and Dr Sinead Mehigan are both employees of Middlesex University.

None of these governors took part in discussions in connection with these transactions. The academy trust has complied with the Academies Financial Handbook when entering into the above transactions.

22 Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016, the school received £39,529 and disbursed £37,590 from the fund. An amount of £7,078 is included in other creditors relating to undistributed funds that will be distributed in the accounting period ending 31 August 2017.

Notes to the Financial Statements Year to 31 August 2016

23 Comparative information

Analysis of income and expenditure in the year ended 31 August 2015 between restricted and unrestricted funds:

	Un-restricted general fund £'000	Restricted funds		2015 Total funds restated £'000
		General restated £'000	Fixed assets £'000	
Income from:				
Donations and capital grants	383	—	—	383
Other trading activities	88,496	—	—	88,496
Investments	4,843	—	—	4,843
Charitable activities				
Funding for the School's educational operations	186,726	9,336,111	142,082	9,664,919
Total income	280,448	9,336,111	142,082	9,758,641
Expenditure on:				
Charitable activities:				
Academy trust educational operations	171,184	8,982,813	388,870	9,542,867
Total expenditure	171,184	8,982,813	388,870	9,542,867
Other recognised gains and losses				
Gains on investment assets	—	—	400,200	400,200
Net income (expenditure) before transfers	109,264	353,298	153,412	615,974
Transfers	—	(65,351)	65,351	—
Net income (expenditure) after transfers	109,264	287,947	218,673	615,974
Actuarial gains (losses) on defined benefit pension scheme	—	14,000	—	14,000
Net movement in funds	109,264	301,947	218,763	629,974
Reconciliation of funds				
Total fund balances brought forward at 1 September 2015	(90,535)	(1,502,000)	13,664,891	12,072,356
Total fund balances carried forward at 31 August 2016	18,729	(1,200,053)	13,883,654	12,702,330