

REGISTRAR OF COMPANIES

Harris Federation

**Consolidated report and
financial statements**

Year to 31 August 2016

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

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Reference and administrative information

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

Directors' report Year to 31 August 2016

The directors of Harris Federation, who are also trustees for the purposes of the Charities Act 2011, present their report and the audited financial statements of the Harris Federation (the Federation) and its three subsidiary companies; Harris Academies Project Management Limited, HCTC Enterprises Limited and Harris Professional Services Limited, together 'the group', for the year to 31 August 2016. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

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

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 39 and comply with the charitable company's memorandum and articles of association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and principal activities

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

As at 31 August 2016 the Federation was made up of 36 open academies. During September 2016 four additional academies joined the Federation.

The Federation was incorporated on 26 April 2007. These financial statements for the Federation, which cover the year to 31 August 2016, aggregate the activities of the 36 member academies (excluding Chobham School Academy (Stratford) as it is a separate legal entity).

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

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Members

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

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

Directors' indemnities

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

Method of recruitment and appointment or election of directors

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

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

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

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

Policies and procedures adopted for the induction and training of directors

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

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure

The following directors were in office at 31 August 2016 and served throughout the period except as stated:

Director	Appointed/Resigned
Lord Harris of Peckham	
Mr R. Alcock	
Mr A.P. Bayon	
Mr K.J. Hoods	
Mrs A Kail	Appointed 1 September 2015
Mr D. Lomas	Resigned 2 June 2016
Mr T.D. Moore	
Mr K. Morley	
Sir Dan Moynihan	
Mr N Rata	Appointed 31 August 2015
Mr P.J. Saunders	
Mrs A.M. Smith	Resigned 31 August 2016
Ms R. Wilton	

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

Subsidiary companies

The Federation has three wholly owned subsidiary companies:

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

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

Management

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

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Management (continued)

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

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

Arrangements for setting pay and remuneration of key management personnel

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

Related parties and other connected charities and organisations

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

OBJECTIVES AND ACTIVITIES

Objects, aims and objectives

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

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

Public benefit

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

OBJECTIVES AND ACTIVITIES (continued)

Equal opportunities policy

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

Employee involvement

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

Disabled persons

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

STRATEGIC REPORT

Achievements, performance and plans for future periods

Introduction and overview of the 2015-2016 Year

In September 2015 Harris Federation opened one new Academy, Harris Primary Academy Beckenham, taking the number of Harris Academies to 37 (including Chobham Academy run by Harris but as a separate Trust).

During the year the success of Harris Academies was highlighted in three separate sets of independent research published during the year.

DFE Performance Tables for Multi-Academy Trusts

<https://www.gov.uk/government/statistics/multi-academy-trust-performance-measures-2014-to-2015>

Harris was recognised as a 'top performer' in primary and secondary education in the Department for Education's first set of performance tables comparing Multi Academy Trusts (MATs) in England. We are one of just three MATs to be recognised as a top performer across both primary and secondary education.

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Sutton Trust Annual Report

<http://www.suttontrust.com/researcharchive/chaineffects2016/>

This is the third annual report in a series that reviews how well disadvantaged students achieve in Academies. The researchers found that as well as outperforming the national average for the attainment of disadvantaged students, Harris Academies also outperform the London average which is far higher.

They highlight that the Harris Federation is one of only 'a handful' of chains that have performed consistently and significantly above the mainstream average for attainment across the last three years'.

Education Policy Institute

<http://epi.org.uk/report/school-performance-multi-academy-trusts-local-authorities/>

In their first report, this new education think tank compares the performance of Multi-Academy Trusts and Local Authorities. The Education Policy Institute says: 'At primary level the Harris Federation is the highest performing school group in England – the improvement it has made is equivalent to pupils making around one and a half times more progress than average'.

Inspection Outcomes

The 2015-16 year was a successful one in terms of Ofsted inspection outcomes with:

- ◆ Harris Primary Kent House being judged to be Outstanding in every category when the predecessor school was in Special Measures.
- ◆ Harris Aspire, our pupil referral unit, judged Good with Outstanding leadership and behaviour.
- ◆ Harris Peckham was judged as Good overall.

Examination Results Summer 2016

At the time of writing this report validated school performance tables have not been published. However the unvalidated data was very strong indeed.

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

GCSE Results 2016

In a year of significant change in how students' GCSE performance is measured, the Harris Federation's young people flourished across the board. This year, Progress 8 took over as the key measure, replacing the proportion of students gaining five or more A*-C grades including English and maths. Progress 8 indicates the progress made by secondary aged students across eight key subjects for each school, relative to other schools with similar intakes.

Alongside this are:

- ◆ **Attainment 8**, which calculates a student's average grade across eight subjects (the same subjects that count for Progress 8).
- ◆ **Basics**, measuring the proportion of students achieving A*-C grades in English and mathematics.
- ◆ **EBacc**, awarded when students secure a grade C or above across a core of five academic subjects.

Progress 8

Across the Harris Federation, the average Progress 8 score is +0.49. The national average is set at zero. This means that our students are achieving an average of half a grade better per subject than other pupils with the same prior attainment at Key Stage 2.

There were positive Progress 8 scores for every single Harris Secondary Academy, with two featuring in the country's top 10 highest performing academies. Harris Academy Battersea's score places it fourth in England and means students are making more than a full grade better per subject than at similar schools nationally. Harris Girls' Academy East Dulwich is ranked eighth in the country.

Our Secondary Academies with results are located in nine London boroughs. In the unvalidated tables a Harris Academy topped the Progress 8 league table in five of those boroughs, whilst our two Merton schools were placed second and third:

- ◆ Southwark – Harris Girls' Academy East Dulwich
- ◆ Croydon – Harris Academy Upper Norwood
- ◆ Bromley – Harris Academy Beckenham
- ◆ Wandsworth – Harris Academy Battersea
- ◆ Thurrock – Harris Academy Chafford Hundred

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Attainment 8

Attainment 8 is the average grade achieved in the 8 GCSEs. The Federation-wide Attainment 8 score is 5.4 which exceeds the new national definition of a "good pass". There were particularly good average scores per student at Harris City Academy Crystal Palace (6.0) and Harris Academy Chafford Hundred (5.9) and Harris Academy Battersea (5.9).

Closing the performance gap

Of the 2,000+ Year 11s in the Harris Federation who sat their GCSEs this summer, over 1,000 are from disadvantaged backgrounds.

Having been recognised by the Sutton Trust for our success in closing the gap between disadvantaged students and others, our Progress 8 figures for 2016 point to the success of our continued efforts in this area.

Average Progress 8 for our disadvantaged students was +0.45; Progress 8 for this group nationally was -0.40 in 2015.

Similarly, the average Attainment 8 score for disadvantaged students was 5.1, which is above the new national definition of a "good pass".

So, whereas in England the progress made by disadvantaged students at school is below average, at Harris it is higher than average, and the data also shows that we are continuing to close the gap between disadvantaged students and everybody else.

Basics percentage passing English and maths at C or above

Overall, 71% of Harris students achieved Basics, compared to 64% last year. Students performed excellently in English, with over 80% achieving at least a C grade in 14 of our 17 Secondary Academies.

EBacc

The average EBacc score within the Harris Federation is 34%, up from 25% last year. The national average for EBacc in 2015 was 22.9%. In 2010, the year EBacc was introduced, the average score across the Academies that now make up the Harris Federation was just 7%. At Harris Academy Chafford Hundred, 63% of students are achieving the EBacc; whilst at Harris City Academy Crystal Palace, the Harris Federation's first school, the proportion is now 47%.

Primary Education Performance

There was also change in how the attainment of primary children is evaluated, both at Key Stage 1 and Key Stage 2. Pupils sat more rigorous tests and are no longer graded on national curriculum levels, but against an "expected standard" (a scaled score result of 100) in Reading, Writing and Maths.

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Early Years 2016

In the EYFS, 86% of our pupils achieved a Good Level of Development (GLD); 17 percentage points above the national average:

Key Stage 1 - 2016

At Key Stage 1 our pupils have significantly outperformed the national averages for expected progress:

- ◆ Across the Federation, 81% of pupils achieved at least the expected standard in Reading, compared to 74% nationally.
- ◆ In Writing, 80% performed to at least the expected standard, 15 percentage points above the national average of 65%.
- ◆ In Maths, 82% were at the expected level compared to an average of 73% across the country.

Pupils in Year 1 are assessed using the phonics screening check. In 2016, 88% of pupils in our Academies passed the check, compared with 81% nationally.

Key Stage 2 - 2016

At Key Stage 2 (KS2) our students' results were similarly excellent, with 71% of pupils achieving the expected combined level for Reading, Writing, Maths and Spelling, Grammar and Punctuation. The national average is 53%. The proportion of students achieving a high standard was also above the national average.

This performance is all the more gratifying given that eight of our eleven Primary Academies with KS2 results were Inadequate or in Special Measures when they originally joined the Harris Federation.

In Reading, the average for pupils meeting the expected standard was 79% compared to the national average of 66%. In Writing, 88% of pupils met the expected standard compared to the national average of 74%. Six of our Academies had over 90% of students meeting the standard. In Maths, 85% met the standard compared to 70% nationally. In Grammar, Spelling and Punctuation, 86% of our pupils met the standard. The national average is 72%. More than a quarter of pupils at nine of our Academies achieved highly.

We are incredibly proud of our pupils' attainment and also the progress they are making to achieve these grades.

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Harris Teaching School

Harris City Academy Crystal Palace and Harris Academy Chafford Hundred both have National Teaching School status and work together to deliver training and development opportunities to staff across the Federation and to staff in non-Harris schools within the local community, generating an income each year.

Last year (2015-16) the Teaching Schools delivered training to 270 Harris employees and governors through a range of conferencing events. Over 180 teachers and leaders from non-Harris schools across 23 greater London boroughs also received training from Harris.

Our School Direct Initial Teacher Education programme grew from 38 trainees in 2014-15 to 90 trainees in 2015-16, and our Newly Qualified Teacher (NQT) programme trained 169 NQTs across the Federation.

Our Academies are also raising their profiles with support from the Teaching School by organising and hosting grassroots professional development events such as #TeachMeets and #LeadMeets. Last year, over 220 teachers attended at 6 different evening training events. With the national drive to get more women into leadership there have also been a series of networking events in conjunction with #WomenEd, a national movement supported by the DfE.

Initial Teacher Education at Harris Federation

Under the School Based Initial Teacher Training (SCITT) Scheme, Harris is able to advertise for and directly recruit people who wish to train as teachers via Harris Initial Teacher Education. This scheme was judged to be Outstanding by Ofsted in November.

The Federation is able to award trainees Qualified Teacher Status, as well as the Post Graduate Certificate in Education (PGCE) in conjunction with our university partners. Last year we trained 86 teachers, who qualified in one of 10 secondary subject routes or primary education with a 94% employment rate, 86% of whom remained at Harris as NQTs. Of those teachers, 100% were graded Good or Outstanding at the end of the course, with 69% Outstanding overall.

Harris Maths Hub

In 2014, the Harris Federation was awarded Maths Hub status and since then we have been successfully leading a number of National and local mathematics projects. The DfE have provided £521,000 in total in 2014/15 and 2015/16 and have now pledged approximately £320,000 a year for the next 4 years.

STRATEGIC REPORT (continued)

Achievements, performance and plans for future periods (continued)

Harris Maths Hub (continued)

The geographical area we cover is Croydon, Southwark, Bromley, Lambeth, Haringey and Enfield. To date we have 587 teachers who have attended a London Thames Maths Hub event and 500 teachers who attended the London Maths Hub conference at Chobham Academy. We have 1,545 teachers registered for our Maths Hub mailing list.

The Swire Foundation Mandarin Project 2015/16

This year we have secured funding to increase the provision of Mandarin across the Harris Federation. Our target is to have four centres of excellence each supporting three Primary and two Secondary Academies by September 2020.

Future Plans

In September 2016 four new Academies were added taking the size of the group to 41. Harris will continue to expand incrementally as opportunities arise and depending on maintaining good levels of performance. We will focus on turn-around of failing schools as well as on new free schools.

Going concern

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

Financial review

Financial report for the year

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

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

STRATEGIC REPORT (continued)

Financial review (continued)

Financial report for the year (continued)

During the year ended 31 August 2016, total income (excluding fixed asset fund income) was £153,518,000 (2015 - £148,129,000) and total expenditure (excluding depreciation) was £158,084,000 (2015 - £149,485,000). The excess of expenditure over income across 36 schools for the period (excluding restricted fixed asset funds and before transfers and the pension scheme actuarial movement) was £4,566,000 (2015 - £1,527,000 across 35 schools).

At 31 August 2016 the net book value of fixed assets was £379,282,000 (2015 - £345,631,000). These assets were used exclusively for providing education to the Federation's pupils and related support services.

Financial and risk management objectives and policies

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

Liquidity risk

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

Interest rate risk

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

Other risks

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

Financial position and reserves policy

The Federation held fund balances at 31 August 2016 of £351,850,000 (2015 - £343,525,000) comprising £347,036,000 (2015 - £338,726,000) of restricted funds including a pension reserve deficit of £38,601,000 (2015 - £18,165,000) and £4,814,000 (2015 - £4,799,000) of unrestricted general funds.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial position and reserves policy (continued)

The unrestricted general funds form part of the Federation's revenue reserves. Total revenue reserves, which exclude the fixed asset fund of £379,282,000 (2015 – £345,631,000) and the pension reserve deficit of £38,601,000 (2015 – £18,165,000), were £11,169,000 as at 31 August 2016 (2015 – £16,059,000). This equates to an average of £310,000 per school (2015 – £459,000 per school). This is equal to approximately 0.85 months' revenue expenditure and the directors consider that this is sufficient for the working capital and operational needs of the Federation based on historic levels of activity.

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

Investment policy

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

Principal risks and uncertainties

Risk management

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

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

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

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Risk management (continued)

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

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

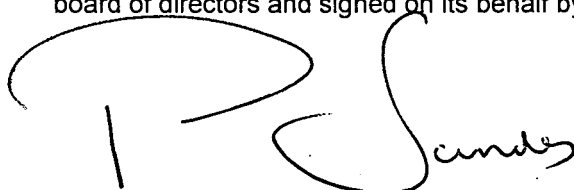
- ◆ The impact of increased staff costs caused by rises in National Insurance Contributions rates and the increased cost of pension provision both as a result of changes in Government policy; the impact is being addressed by several cost saving initiatives including the pooling of resources and a purchasing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

AUDITORS

In so far as the directors are aware:

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

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



PHIL SAUNDERS
Director

Approved by the directors on:

19/12/16

Scope of responsibility

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

The board of directors has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Federation and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

Governance

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

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

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

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

Governance statement Year to 31 August 2016

Governance (continued)

Director	Number of meetings attended	Out of a possible
Lord Harris of Peckham	3	3
Mr R. Alcock	3	3
Mr A.P. Bayon	3	3
Mr K.J. Hoods	3	3
Mrs A Kail	3	3
Mr D. Lomas	1	2
Mr T.D. Moore	1	3
Mr K. Morley	3	3
Sir Dan Moynihan	3	3
Mr N Rata	2	3
Mr P.J. Saunders	3	3
Mrs A.M. Smith	3	3
Ms R. Wilton	3	3

Governance reviews

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

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

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

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

Governance reviews (continued)

Finance Board Sub-committee

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

Member	Meetings attended	Out of a possible
Mr Tony Bayon	7	7
Mr Paul Jacobs	4	7
Mr David Lomas	0	3
Mr Keith Morley	6	7
Mr Phil Saunders (Chair)	7	7

Audit Committee

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

Member	Meetings attended	Out of a possible
Mr Tony Bayon	3	3
Mr Paul Jacobs (Chair)	0	3
Mr Keith Morley	2	2
Mr Phil Saunders	3	3

Review of value for money

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

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

- ♦ Improving educational results: The Secondary GCSE results from across the Federation were above average with a positive progress 8 score achieved by all Harris Academies of +0.49 compared to the national figure of 0. At primary, Harris Academies scored 71% on average compared to 53% nationally. In terms of Ofsted inspections, more than three quarters of our inspected Secondary Academies have been rated as 'Outstanding' by Ofsted, the figure being 40% for Primaries. Every other Harris Academy inspected has been judged as 'Good'.

Review of value for money (continued)

- ◆ The introduction of a single Management Information System (MIS) across all academies in the Federation achieved efficiency savings and the size of the single contract ensured that the suppliers tendering through the Crown Commercial Services Framework were very competitive. The new system significantly reduces the overall cost of MIS provision. Additionally there are now many features that previously had to be purchased separately, adding to the overall saving achieved.
- ◆ The Federation IT team ran a competitive tender for the provision of whiteboards in classrooms that incorporated a long term strategy for standardising software used so that teachers would be able to move between classrooms and from one academy to another without the need to retrain or prepare new training material. The decision to standardise has simplified procurement processes and ensured that suppliers offer competitive prices as they seek to secure more business from the Federation.
- ◆ The Federation has initiated several procurement initiatives to combat the increasing cost of recruitment. These include advertising vacancies on and allowing applications through our own websites and the use of agency recruitment websites to publicise opportunities.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Federation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Federation for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of directors has reviewed the key risks to which the Federation is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is an ongoing process for identifying, evaluating and managing the Federation's significant risks that has been in place for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of directors.

The risk and control framework

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

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

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

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

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

In addition, the external auditors carry out a programme of internal control checks and visited each academy within the Federation during 2015-16. Reports from these visits are issued to local finance committees with an overall report submitted to the Audit Committee.

Review of effectiveness

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

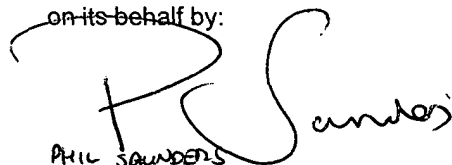
- ◆ the work of the internal and external auditors including the additional checks by the external auditors described above;
- ◆ the financial management and governance self assessment process; and
- ◆ the work of the Senior Management Team within the Federation who have responsibility for the development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

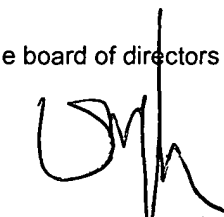
Governance statement Year to 31 August 2016

Review of effectiveness (continued)

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

Approved by order of the members of the board of directors on 19/12/16 and signed
on its behalf by:


PHIL SAUNDERS
Director

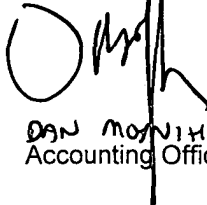

DAN MOYNIHAN
Accounting Officer

Statement on regularity, propriety and compliance 31 August 2016

As Accounting Officer of Harris Federation, I have considered my responsibility to notify the Federation board of directors and the EFA of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Federation and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Federation board of directors are able to identify any material irregular or improper use of funds by the Federation, or material non-compliance with the terms and conditions of funding under the Federation's funding agreement and the Academies Financial Handbook 2015.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and EFA. If any instances are identified after the date of this statement, these will be notified to the board of directors and EFA.


DAN MORNIHAN
Accounting Officer

Statement of directors' responsibilities 31 August 2016

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

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities 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 Federation will continue in operation.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Federation's transactions and disclose with reasonable accuracy at any time the financial position of the Federation and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Federation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Director

Date:

19/12/16

PHIL SAUNDERS

Independent auditor's report on the financial statements to the members of Harris Federation

We have audited the financial statements of Harris Federation for the year ended 31 August 2016 which comprise the consolidated statement of financial activities, the group and charitable company balance sheets, the consolidated 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 Academies 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 charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors act as trustees for the charitable activities of Harris Federation and are also the directors of the charitable company for the purpose of company law.

As explained more fully in the statement of directors' responsibilities set out in the directors' report, the directors 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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' 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 misstatements or 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 group and parent charitable company's affairs as at 31 August 2016 and of the group's 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 Charities SORP 2015 and Academies Accounts Direction 2015 to 2016.

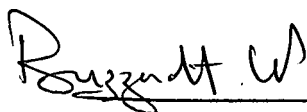
Opinion on other matter prescribed by the Companies Act 2006

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

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 directors' 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

20 December 2016

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

In accordance with the terms of our engagement letter dated 3 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 Harris Federation 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 Harris Federation and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Harris Federation and the 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 Harris Federation and the EFA, for our work, for this report, or for the conclusion we have formed.

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

The Accounting Officer is responsible, under the requirements of Harris Federation's master funding agreement with the Secretary of State for Education dated 31 August 2007 and the Academies Financial Handbook, extant from 1 September 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 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.

Approach (continued)

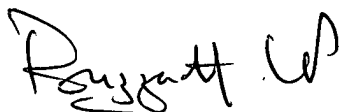
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Federation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 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

20 December 2016

Consolidated statement of financial activities Year to 31 August 2016

(including Consolidated Income and Expenditure Account)

			Restricted funds			
	Notes	Un-restricted general fund £'000	General £'000	Fixed assets £'000	2016 Total Funds £'000	2015 Total Funds (Restated) £'000
Income from:						
Donations and capital grants	1	—	—	41,095	41,095	38,546
Transfer from Local Authority on conversion		—	—	—	—	8,261
Charitable activities						
· Funding for Harris Federation's educational operations	3	—	149,880	—	149,880	143,504
Other trading activities	2	1,359	389	—	1,748	1,853
Interest receivable		86	—	—	86	118
Other	4	—	1,804	—	1,804	2,102
Total income		1,445	152,073	41,095	194,613	194,384
Expenditure on:						
Charitable activities						
· Harris Federation's educational operations	6	1,430	156,654	9,896	167,980	160,312
Total expenditure	5	1,430	156,654	9,896	167,980	160,312
Net income (expenditure) before transfers		15	(4,581)	31,199	26,633	34,072
Gross transfers between funds	18	—	(2,452)	2,452	—	—
Net income (expenditure) before other recognised gains and losses		15	(7,033)	33,651	26,633	34,072
Other recognised gains and losses						
Actuarial (loss) gain on defined benefit pension scheme	21	—	(18,308)	—	(18,308)	653
Net movement in funds		15	(25,341)	33,651	8,325	34,725
Fund balances brought forward at 1 September 2015		4,799	(6,905)	345,631	343,525	308,800
Fund balance carried forward at 31 August 2016		4,814	(32,246)	379,282	351,850	343,525


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

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

Balance sheets 31 August 2016

	Notes	2016		2015	
		Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Tangible assets	12	379,282	379,277	345,631	345,620
Current assets					
Debtors	16	15,447	15,796	11,024	9,482
Stock		75	75	153	153
Cash at bank and in hand		26,559	26,086	36,108	35,354
		42,081	41,957	47,285	44,989
Creditors: amounts falling due within one year	17	(30,912)	(30,876)	(31,226)	(29,028)
Net current assets		11,169	11,081	16,059	15,961
Net assets excluding pension liability		390,451	390,358	361,690	361,581
Pension scheme liability	21	(38,601)	(38,601)	(18,165)	(18,165)
Total net assets		351,850	351,757	343,525	343,416
The funds of the academy:					
Funds and reserves					
Restricted funds					
Fixed asset fund	18	379,282	379,277	345,631	345,620
Restricted income fund		6,355	6,355	11,260	11,260
Pension reserve		(38,601)	(38,601)	(18,165)	(18,165)
		347,036	347,031	338,726	338,715
Unrestricted income funds	18	4,814	4,726	4,799	4,701
		351,850	351,757	343,525	343,416

Approved by the directors and signed on their behalf by:

 DAN MOYNIHAN
Director

Approved on: 19/12/16

Harris Federation

Company Registration Number: 06228587 (England and Wales)

Consolidated statement of cash flows Year to 31 August 2016

		2016 £'000	2015 £'000
Net cash inflow from operating activities			
Net cash provided by (used in) operating activities	A	(7,532)	(16,213)
Cash flows from investing activities	B	(2,103)	20,641
Change in cash and cash equivalents in the year		(9,549)	4,428
Reconciliation of net cash flow to movement in net funds:			
Cash and cash equivalents at 1 September 2015		36,108	31,680
Cash and cash equivalents at 31 August 2016	C	26,559	36,108

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

	2016 £'000	2015 £'000
Net income (expenditure) for the year (as per the statement of financial activities)	26,633	34,072
Adjusted for:		
Inherited land and buildings	—	(8,118)
Cash transferred in conversion	—	(964)
Harris Westminster Sixth Form	—	(7,000)
Buildings included at EFA valuation and Building Schools for the Future	—	(16,042)
Depreciation (note 12)	9,896	10,656
Capital grants from DfE and other capital income	(41,095)	(38,137)
Interest receivable (note 5)	(86)	(118)
Defined benefit pension scheme obligation inherited	—	821
Defined benefit pension scheme cost less contributions payable (note 21)	1,423	1,398
Defined benefit pension scheme finance cost (note 21)	677	640
Defined benefit pension scheme administration cost (note 21)	28	28
(Increase) decrease in stocks	78	26
(Increase) decrease in debtors	(4,121)	5,463
Increase (decrease) in creditors	(965)	1,062
Net cash provided by (used in) operating activities	(7,532)	(16,213)

Consolidated statement of cash flows Year to 31 August 2016

B Cash flows from investing activities

	2016 £'000	2015 £'000
Cash transferred on conversion	—	964
Dividends, interest and rents from investments	86	118
Purchase of tangible fixed assets	(42,895)	(17,693)
Capital grants from DfE/EFA	40,792	37,252
Net cash provided by (used in) investing activities	(2,103)	20,641

C Analysis of cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	26,559	36,108
Total cash and cash equivalents	26,559	36,108

Statement of accounting policies

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

Basis of preparation

The financial statements of the academy trust have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

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

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

Basis of consolidation

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

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

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

Transition to FRS 102

First time adoption of FRS 102

These financial statements are the first financial statements of Harris Federation 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 Harris Federation for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Transition to FRS 102 (continued)

Explanation of transition to FRS 102

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.

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'.

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

Reconciliation of net income	2015 £'000
Net income previously reported under UK GAAP	34,765
Change in recognition of LGPS interest cost (A)	(693)
Net movement in funds reported under FRS 102	34,072

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 £693,000 and increase the credit in other recognised gains and losses in the statement of financial activities by an equivalent amount.

Going concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

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

Grants

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Donations

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

Other income

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

Expenditure

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

Expenditure on raising funds

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

Charitable activities

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

All resources expended are stated net of recoverable VAT.

Tangible fixed assets

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

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

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

Freehold land is not depreciated.

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

Tangible fixed assets (continued)

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

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

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

Investments

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

Debtors

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

Cash at bank and in hand

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

Liabilities

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

Leased assets

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

Private Finance Initiative

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

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

Stock

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

Taxation

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

Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Federation in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

Pensions benefits (continued)

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Fund accounting

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

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

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

Schools joining the Federation

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

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

Critical areas of judgement

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

Notes to the financial statements 31 August 2016

1 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Donations	—	—	—	409
Capital grants	—	41,095	41,095	38,137
	—	41,095	41,095	38,546

2 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Lettings and other income	1,359	—	1,359	1,686
School uniform and book sales income	—	389	389	167
	1,359	389	1,748	1,853

3 Funding for Harris Federation's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
EFA revenue grants				
· General Annual Grant (GAG)	—	124,857	124,857	119,167
· Start Up	—	1,422	1,422	1,894
· Other EFA grants	—	11,798	11,798	11,301
	—	138,077	138,077	132,362
Other grants				
· LEA and other grants	—	11,803	11,803	11,142
	—	149,880	149,880	143,504

4 Other income

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Academy trips	—	566	566	614
Rebates	—	28	28	75
Primary clubs	—	419	419	503
National College for Learning grant	—	46	46	110
Sundry income	—	745	745	800
	—	1,804	1,804	2,102

Notes to the financial statements 31 August 2016

5 Expenditure

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2016 £'000	Total 2015 Restated £'000
Academy's educational operations (note 6)					
. Direct costs	110,053	9,896	13,704	133,653	127,387
. Allocated support costs	17,262	9,650	7,415	34,327	32,925
	<u>127,315</u>	<u>19,546</u>	<u>21,119</u>	<u>167,980</u>	<u>160,312</u>

Net income (expenditure) for the period includes:

	2016 £'000	2015 £'000
Operating lease rentals	858	806
Depreciation	9,896	10,656
Fees payable to auditor for:		
. Audit	99	99
. Other services	54	61

6 Harris Federation's educational operations

	2016 Total funds £'000	2015 Total funds (Restated) £'000
Direct costs	133,653	127,387
Support costs	34,327	32,925
	<u>167,980</u>	<u>160,312</u>

Analysis of support costs	2016 Total funds £	2015 Total funds (Restated) £
Support staff costs	17,262	15,901
Technology costs	153	185
Premises costs	9,650	9,451
Other support costs	6,829	6,903
Governance costs	433	485
Total support costs	<u>34,327</u>	<u>32,925</u>

7 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 £'000
		General £'000	Fixed assets £'000	
Income from:				
Donations and capital grants	9	400	38,137	38,546
Other trading activities	1,686	167	—	1,853
Interest receivable	118	—	—	118
Transfer from Local Authority on conversion	964	(821)	8,118	8,261
Charitable activities				
Funding for Harris Federation's educational operations	—	143,504	—	143,504
Other	—	2,102	—	2,102
Total income	2,777	145,352	46,255	194,384
Expenditure on:				
Charitable activities				
Harris Federation's educational operations	2,941	146,715	10,656	160,312
Total expenditure	2,941	146,715	10,656	160,312
Net (expenditure) income before transfers	(164)	(1,363)	35,599	34,072
Gross transfers between funds	—	(2,920)	2,920	—
Net (expenditure) income before other recognised gains and losses	(164)	(4,283)	38,519	34,072
Other recognised gains and losses				
Actuarial gain on defined benefit pension scheme	—	653	—	653
Net movement in funds	(164)	(3,630)	38,519	34,725

8 Staff

a) Staff costs

Staff costs during the year were as follows:

	2016 Total funds £'000	2015 Total funds £'000
Wages and salaries	95,513	88,342
Social security costs	8,629	7,531
Pension contributions	14,282	11,135
	118,424	107,008
Supply staff costs	5,127	5,819
Recruitment and other staff related costs	3,368	4,049
Restructuring costs	396	367
Total staff costs	127,315	117,243

	2016 £'000	2015 £'000
Staff restructuring costs comprise		
Redundancy payments	189	275
Severance payments	148	52
Other restructuring costs	59	40
	396	367

b) Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £188,685 (2015 - £283,739). The non-statutory/non-contractual payments individually were for £45,000; £34,690; £16,700; £13,500; £10,675; £10,500; £10,284; £8,436; £8,300; £7,500; £7,126; £4,970; £4,608; £3,300; £1,542; £858; £410 and £286.

c) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2016 was as follows:

	2016 Number	2015 Number
Activities		
Teachers	1,363	1,269
Administration and support	1,307	1,325
Management	201	193
School sports partnership	2	5
	2,873	2,792

8 Staff (continued)

d) Higher paid staff

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

	2016 Number	2015 Number
£60,001 - £70,000	80	72
£70,001 - £80,000	32	29
£80,001 - £90,000	10	8
£90,001 - £100,000	9	10
£100,001 - £110,000	4	4
£110,001 - £120,000	4	4
£120,001 - £130,000	2	2
£130,001 - £140,000	5	—
£140,001 - £150,000	2	6
£150,001 - £160,000	—	—
£160,001 - £170,000	2	1
£170,001 - £180,000	2	1
£200,001 - £210,000	1	2
£210,001 - £220,000	1	—
£230,001 - £240,000	—	1
£240,001 - £250,000	1	—
£390,001 - £400,000	—	1
£420,001 - £430,000	1	—
	156	141

All of the above employees earning more than £60,000 per annum participated in either the Teachers' Pension Scheme or the Local Government Pension Scheme. During the year ended 31 August 2016, pension contributions for these staff amounted to £1,443,978 (2015 - £1,366,843).

e) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £1,773,093 (2015: £1,657,826).

9 Directors' emoluments and expenses

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

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

Chief Executive Officer

Remuneration £420,000 - £425,000 (2015: £395,000 - £400,000)

Employer's pension contributions £50,000 - £55,000 (2015: £40,000 - £45,000)

No other directors of the company received any payment or other emoluments from the Federation in the period.

No directors received any payment for reimbursement of travel and subsistence expenses incurred in the course of their duties as directors in the period (2015 - none).

Expenditure of £15,818 (2015 - £nil) was incurred to purchase goods from Tapi Carpets and Floors Ltd, which Philip Saunders is a director of and Lord Harris has an interest in. These goods were purchased at cost.

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

10 Directors', Governors' and Officers' Insurance

In accordance with normal commercial practice the Federation has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Federation business. The insurance provides cover up to £2 million on any one claim and the cost for the year ended 31 August 2016 was £33,184 (2015 - £22,788).

11 Central services

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

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

11 Central services (continued)

The Federation charges for these services on the following basis:

Between 3.7% and 5.5% (2015 – between 3.7% and 5.5%) of School Budget Share and ESG income.

The actual amounts charged during the year were as follows:

	2016 £'000	2015 £'000
Harris Aspire Academy	28	25
Harris Academy Battersea	214	216
Harris Academy Beckenham	271	257
Harris Primary Academy Beckenham	9	—
Harris Primary Academy Benson	64	55
Harris Academy Bermondsey	370	400
Harris Academy Bromley	201	186
Harris Junior Academy Carshalton	52	43
Harris Academy Chafford Hundred	216	219
Harris Primary Academy Chafford Hundred	86	87
Harris Primary Academy Coleraine Park	87	92
Chobham Academy	422	353
Harris City Academy Crystal Palace	295	315
Harris Primary Academy Crystal Palace	65	48
Harris Boys' Academy East Dulwich	346	303
Harris Girls' Academy East Dulwich	372	366
Harris Primary Academy East Dulwich	25	16
Harris Academy Falconwood	211	208
Harris Academy Greenwich	372	360
Harris Primary Academy Haling Park	22	13
Harris Invictus Academy Croydon	84	45
Harris Primary Academy Kenley	60	51
Harris Primary Academy Kent House	66	58
Harris Primary Academy Mayflower	27	13
Harris Academy Merton	284	268
Harris Primary Academy Merton	78	67
Harris Academy Morden	169	163
Harris Academy Peckham	350	358
Harris Primary Free School Peckham	59	46
Harris Primary Academy Peckham Park	94	98
Harris Primary Academy Philip Lane	77	76
Harris Academy Purley	263	273
Harris Primary Academy Shortlands	19	12
Harris Academy South Norwood	435	328
Harris Academy Tottenham	86	42
Harris Academy Upper Norwood	69	173
Harris Westminster Sixth Form	80	37
	6,028	5,670

12 Tangible fixed assets (group and company)

	Freehold land and buildings £'000	Long lease- hold land and buildings £'000	Assets under constru- ction £'000	Furniture and equip- ment £'000	Computer equip- ment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 September 2015	53,350	309,423	15,731	14,833	21,008	353	414,698
Additions	368	2,733	38,101	1,377	963	4	43,546
Transfers	5,632	7,033	(14,583)	837	1,081	—	—
At 31 August 2016	59,350	319,189	39,249	17,047	23,052	357	458,244
Depreciation							
At 1 September 2015	308	37,363	—	11,792	19,301	303	69,067
Charge for period	428	6,239	—	1,877	1,326	25	9,895
At 31 August 2016	736	43,602	—	13,669	20,627	328	78,962
Net book values							
At 31 August 2016	58,614	275,587	39,249	3,378	2,425	29	379,282
At 31 August 2015	53,042	272,060	15,731	3,041	1,707	50	345,631

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

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

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

Tangible fixed assets with a net book value of £7,678 (2015 - £12,165) are held in HCTC Enterprises Ltd. There are no other differences between the assets of the group and company.

Buildings transferred upon conversion

One academy joined the Federation or opened during 2015/16 (2014/15 – nine). This was a whole new academy, bringing no assets to the federation on joining.

13 Investments – Harris Academies Project Management Limited

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

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

13 Investments – Harris Academies Project Management Limited (continued)

	2016 £'000	2015 £'000
Turnover	318	—
Cost of sales	—	—
Gross profit	318	—
Interest received	2	2
Administrative expenses	4	1
Retained profit before charitable donation under Gift Aid at 31 August 2016	324	3
Charitable donation under Gift Aid	(324)	(3)
Retained profit after charitable donation after Gift Aid at 31 August 2016	—	—
Called up share capital	1	1
Net assets at 31 August 2016	1	1

The £1 issued share capital equalled the net assets of the company at 31 August 2016.

14 Investments – HCTC Enterprises Limited

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

The following is a summary of the financial statements of HCTC Enterprises Limited for the year to 31 August 2016, which have been included in the consolidated financial statements.

	2016 £'000	2015 £'000
Turnover	59	65
Cost of sales	(50)	(46)
Gross profit	9	19
Administrative expenses	(8)	(9)
Retained profit before charitable donation under Gift Aid at 31 August 2016	1	10
Charitable donation under Gift Aid	(5)	(6)
Profit on ordinary activities after taxation	(4)	4
Retained profits brought forward at 1 September 2015	91	87
Retained profits carried forward at 31 August 2016	87	91
Called up share capital	—	—
Net assets at 31 August 2016	87	91

15 Investments – Harris Professional Services Limited

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

	2016 £'000	2015 £'000
Turnover	7,653	6,768
Cost of sales	(6,954)	(6,165)
Gross profit	699	603
Administrative expenses	(699)	(603)
Retained profit before charitable donation under Gift Aid at 31 August 2016	—	—
Charitable donation under Gift Aid	—	—
Profit on ordinary activities after taxation	—	—
Retained profits brought forward at 1 September 2015	—	—
Retained profits carried forward at 31 August 2016	—	—
Called up share capital	1	1
Net assets at 31 August 2016	1	1

16 Debtors

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade debtors	4,691	720	2,829	1,150
Prepayments	1,412	1,412	631	631
Sundry debtors	2,861	2,861	2,607	2,602
Amount due from subsidiary undertakings	—	4,326	—	143
VAT recoverable	3,219	3,213	1,507	1,506
Grant and other income	3,264	3,264	3,450	3,450
	15,447	15,796	11,024	9,482

17 Creditors: amounts falling due within one year

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade creditors	8,347	8,347	7,890	6,201
Taxation and social security	2,548	2,548	2,097	2,097
Other creditors	5,447	5,435	7,009	6,574
Amount due to subsidiary undertakings	—	—	—	22
EFA creditor: Abatement of GAG	4,782	4,782	5,234	5,234
Accruals and deferred income	8,920	8,896	8,996	8,900
Retention building costs	868	868	—	—
	30,912	30,876	31,226	29,028

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

Deferred income

	2016 £'000	2015 £'000
Deferred income at 1 September 2015	1,943	1,455
Resources deferred in the year	2,146	1,846
Amounts released from previous years	(1,771)	(1,358)
Deferred income at 31 August 2016	2,318	1,943

At the balance sheet date, the Federation was holding funds received in advance for the new academies that opened in September 2016 and devolved formula capital received for 2016-17.

18 Funds

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

	At 1 September 2015 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	At 31 August 2016 £'000
General restricted fund					
General Annual Grant (GAG)	5,494	124,857	(124,999)	(2,452)	2,900
Start Up grants	1,750	1,422	(1,710)	—	1,462
Other EFA grants	2,022	11,798	(12,773)	—	1,047
LEA and other grants	1,174	12,594	(13,593)	—	175
Other restricted funds	820	1,402	(1,451)	—	771
Pension reserve	(18,165)	—	(2,128)	(18,308)	(38,601)
	(6,905)	152,073	(156,654)	(20,760)	(32,246)
Fixed asset fund					
Fixed asset fund	345,631	41,095	(9,896)	2,452	379,282
Total restricted funds	338,726	193,168	(166,550)	(18,308)	347,036
Unrestricted funds	4,799	1,445	(1,430)	—	4,814
Total funds	343,525	194,613	(167,980)	(18,308)	351,850

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

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, academies within the Federation were not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

18 Funds (continued)

Other funds

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

Fixed asset fund

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

Transfers between funds

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

18 Funds (continued)

Analysis of fund balance by academy

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	Total 2015 £
Harris Aspire Academy	176	71
Harris Academy Beckenham	724	780
Harris Academy Bermondsey	319	362
Harris Boys' Academy E. Dulwich	599	815
Harris Academy Bromley	331	442
Harris Academy Chafford Hundred	—	7
Harris City Academy Crystal Palace	543	761
Harris Academy Falconwood	569	874
Harris Girls' Academy E. Dulwich	1,258	1,434
Harris Academy Greenwich	—	485
Harris Junior Academy Carshalton	—	1
Harris Academy Merton	182	167
Harris Academy Morden	—	115
Harris Academy Peckham	1,409	1,729
Harris Primary Academy Benson	—	4
Harris Primary Academy C. Hundred	157	164
Harris Primary Academy Coleraine Park	144	296
Harris Primary Academy Crystal Palace	132	28
Harris Primary Academy Free School	198	172
Harris Primary Academy Kenley	—	—
Harris Primary Academy Kent House	—	146
Harris Primary Academy Peckham Park	32	125
Harris Primary Academy Philip Lane	51	37
Harris Academy Purley	162	702
Harris Academy South Norwood	855	1,239
Harris Academy Upper Norwood	607	606
Harris Academy Battersea	1	—
Harris Invictus Academy Croydon	2	13
Harris Primary Academy East Dulwich	119	72
Harris Primary Academy Haling Park	70	91
Harris Primary Academy Mayflower	—	19
Harris Primary Academy Merton	86	160
Harris Primary Academy Shortlands	28	10
Harris Academy Tottenham	1	—
Harris Westminster Sixth Form	88	194
Harris Beckenham Primary	93	—
Collective benefit and other Federation funds *	1,978	3,570
HCTC	87	98
Merton Sports Partnership	168	270
Total before fixed assets and pension reserve	11,169	16,059
Restricted fixed assets fund	379,282	345,631
Pension liability	(38,601)	(18,165)
TOTAL	351,850	343,525

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

18 Funds (continued)

Analysis of cost by academy

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation) £'000	Total £'000
Harris Aspire Academy	513	151	50	174	888
Harris Academy Beckenham	4,292	552	239	1,052	6,135
Harris Academy Bermondsey	4,083	503	302	1,079	5,967
Boys E. Dulwich	4,211	519	201	1,085	6,016
Harris Academy Bromley	3,340	584	173	672	4,769
Harris Academy Chafford Hundred	4,817	676	99	858	6,450
Harris City Academy Crystal Palace	5,379	348	270	960	6,957
Harris Academy Falconwood	4,645	487	114	827	6,073
Girls E. Dulwich	5,199	492	232	1,006	6,929
Harris Academy Greenwich	5,858	683	214	908	7,663
Harris Junior Academy Carshalton	1,244	107	39	233	1,623
Harris Academy Merton	5,022	656	262	850	6,790
Harris Academy Morden	2,947	427	151	670	4,195
Harris Academy Peckham	4,707	873	248	1,004	6,832
Harris Primary Academy Beckenham	147	53	35	62	297
Harris Primary Academy Benson	1,338	272	96	353	2,059
Harris Primary Academy C. Hundred	1,867	330	130	508	2,835
Harris Primary Academy Coleraine Park	1,776	181	75	447	2,479
Harris Primary Academy Crystal Palace	1,336	284	133	402	2,155
Harris Primary Academy Free School	1,017	183	35	352	1,587
Harris Primary Academy Kenley	1,275	250	96	346	1,967
Harris Primary Academy Kent House	1,640	200	120	493	2,453
Harris Primary Academy Peckham Park	1,794	402	130	449	2,775
Harris Primary Academy Philip Lane	1,593	233	118	413	2,357
Harris Academy Purley	4,476	899	206	720	6,301
Harris Academy South Norwood	7,605	1,109	227	1,336	10,277
Harris Academy Upper Norwood	780	222	37	508	1,547
Harris Academy Battersea	4,310	652	205	931	6,098
Harris Invictus Academy Croydon	1,482	271	108	391	2,252
Tottenham All Through	1,233	136	87	430	1,886
Harris Westminster Sixth Form	1,796	255	54	897	3,002
Harris Primary Academy Merton	2,063	288	103	465	2,919
Harris Primary Academy Haling Park	464	87	73	189	813
Harris Primary Academy East Dulwich	384	60	43	129	616
Harris Primary Academy Mayflower	585	149	59	195	988
Harris Primary Academy Shortlands	401	58	26	126	611
Merton Sports Partnership	259	—	1	237	497
Collective benefit fund and Federation	7,736	1,349	(45)	4,353	13,393
HCTC	—	—	—	54	54
HPS	6,163	781	—	—	6,944
HIT	276	77	36	1,304	1,693
Company total	110,053	15,839	4,782	27,468	158,142

19 Analysis of net assets between funds

		Restricted funds			
	General fund		Fixed asset	Total	
Group	£'000	General £'000	fund £'000	2016 £'000	
Fund balances at 31 August 2016 are represented by					
Tangible fixed assets	—	—	379,282	379,282	
Current assets	4,814	37,267	—	42,081	
Current liabilities	—	(30,912)	—	(30,912)	
Pension scheme liability	—	(38,601)	—	(38,601)	
Total net assets	4,814	(32,246)	379,282	351,850	

20 Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

21 Pension and similar obligations

The Federation's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by a number of Local Authorities in the London borough's and counties in which the Federation operates. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £1,716,000 were payable to the schemes at 31 August 2016 (2015 - £1,469,000) and are included within creditors.

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

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

21 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £9,291,000 (2015 - £9,666,000).

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

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £4,926,000, of which employer's contributions totalled £3,568,000 and employees' contributions totalled £1,358,000. The agreed contribution rates for future years are between 7.2% and 25.5% for employers and between 5.5% and 12.5% for employees.

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

	At 31 August 2016	At 31 August 2015
Principal Actuarial Assumptions		
Rate of increase in salaries	3.6%	4.0%
Rate of increase for pensions in payment / inflation	2.1%	2.5%
Discount rate for scheme liabilities	2.1%	3.9%
Inflation assumption (CPI)	2.1%	2.5%

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	22.5	22.5
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	24.8	24.7
Females	27.8	27.7

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

	Fair value at 31 August 2016 £'000	Fair value at 31 August 2015 £'000
Equity instruments	29,585	22,314
Debt instruments	8,947	7,021
Property	4,500	3,640
Other	3,450	1,741
Cash and other	566	463
Total market value of assets	47,048	35,179

The actual return on scheme assets was £7,428 (2015: £1,277).

	2016 £'000	2015 £'000
Amounts recognised in statement of financial activities		
Current service costs (net of employee contributions)	(4,991)	(4,736)
Net interest cost	(677)	(640)
Administration expense	(28)	(28)
Total operating charge	(5,696)	(5,404)

	2016 £'000	2015 (Restated) £'000
Movement in deficit during the year		
Deficit at 1 September 2015	(18,165)	(15,931)
Current service cost	(4,991)	(4,736)
Employer contributions	3,568	3,338
Net return on assets	(677)	(640)
Administration expense	(28)	(28)
Business combinations	—	(821)
Actuarial (loss) gain	(18,308)	653
Liabilities at 31 August 2016	(38,601)	(18,165)

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations were as follows:		
At 1 September 2015	53,344	43,889
Upon conversion	—	2,662
Current service cost	4,991	4,736
Interest cost	2,126	1,850
Employee contributions	1,358	1,276
Actuarial loss/(gain)	24,290	(624)
Benefits paid	(460)	(445)
At 31 August 2016	85,649	53,344

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the fair value of the Federation's share of scheme assets:	2016 £'000	2015 £'000
At 1 September 2015	35,179	27,958
Upon conversion	—	1,841
Interest income	1,449	1,210
Actuarial gain	5,982	29
Employer contributions	3,568	3,338
Employee contributions	1,358	1,276
Benefits paid	(460)	(445)
Administration expense	(28)	(28)
At 31 August 2016	47,048	35,179

22 Related party transactions

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

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

	2016			
	Income during the year £'000	Expenditure during the year £'000	Owed at 31 August £'000	Due at 31 August £'000
Harris Federation	329	104	40	204
Harris Professional Services Limited	7,651	2	—	3,944
	7,980	106	40	4,148

	2015			
	Income during the year £'000	Expenditure during the year £'000	Owed at 31 August £'000	Due at 31 August £'000
Harris Federation	287	151	150	247
Harris Professional Services Limited	6,755	13	13	1,548
	7,042	164	163	1,795

23 Capital commitments

At 31 August 2016 the group had the following capital commitments:

	2016 £'000	2015 £'000
Contracted for, but not provided in the financial statements	20,724	5,773

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

24 Commitments under operating leases

Operating leases

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

Land and buildings	2016 £	2015 £
Amounts due within one year	199	77
Amounts due between two and five years inclusive	795	310
Amounts due after five years	877	
	1,871	387

Other	2016 £	2015 £
Amounts due within one year	401	462
Amounts due between two and five years inclusive	449	344
Amounts due after five years	—	3
	850	809

Academies with Private Finance Initiative (PFI)

Harris Academy Morden joined the Federation on 1 March 2013. Its main school building was financed under a PFI arrangement which also provides services to the school including cleaning and catering. The school pays an annual amount based on pupil numbers which will run until 2030. In the year ended 31 August 2016, £312,000 (2015 - £268,000) of costs relating to this has been recognised in expenditure, being included in the total operating lease rentals figure in note 5.

25 Post balance sheet events

From September 2016, four new academies joined the Federation: Harris Primary Academy Purley Way; Harris Primary Academy Orpington; Harris Academy Orpington; and Harris Academy Rainham. Of these, Harris Primary Academy Purley Way is a free school, with the remaining being converted academies. The operations, buildings, pension obligations and fund balances from these converters were transferred to the Federation for £nil consideration.

26 Agency arrangements

The Federation distributes 16-19 bursary funds to students as an agent for the EFA. In the accounting period ending 31 August 2016 the trust received £488,353 (2015 - £414,397) and disbursed £313,274 (2015 - £148,370) from the fund. An amount of £427,534 (2015 - £602,613) is included in Other Creditors relating to undistributed funds that will be distributed in 2016/17.