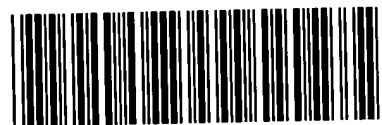

HERTSWOOD ACADEMY
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

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HERTSWOOD ACADEMY
(A company limited by guarantee)

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HERTSWOOD ACADEMY
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members Subscribers to the Memorandum: D Meller, W Meller, G C Taylor
Meller Educational Trust: L Gadd (resigned 22 August 2016)
Sponsor: D Meller
Chair of Trustees: M W Doe
Vice-Chair of Trustees: S J Smith (resigned 11 July 2016)
Meller Educational Trust: R Elms (appointed 23 August 2016)

Trustees A E Grange (appointed 11 October 2015)¹
F H G Blackwood
J L W Cox, Co-opted, member of staff¹
D K Davies
M W Doe, Co-opted, Chair of Trustees¹
P Gillett, Head Teacher¹
A M Harrison, Co-opted
V A Hodge, Staff Trustee¹
R Johnson, Staff Trustee (resigned 12 September 2016)
R A Kirk, Co-opted¹
D Meller
L M Rattigan (resigned 5 February 2016)
J D Smith¹
S J Smith (resigned 11 July 2016)
C Wainwright, Staff Trustee

¹ Member of the Resources Committee

**Company registered
number** 07992852

Company name Hertswood Academy

**Principal and registered
office** Cowley Hill
Borehamwood
Hertfordshire
WD6 5LG

HERTSWOOD ACADEMY
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Advisers (continued)

**Senior management
team**

P Gillett, Headteacher
J Wood, Deputy Headteacher
V A Hodge, Deputy Headteacher
N Kenny, Deputy Headteacher
S Musk, Academy Manager
W Gill, Assistant Headteacher
L Edgar, Assistant Headteacher
C McFerran, Assistant Headteacher
T Clifford, Senior Teacher
C Clelland, Senior Teacher
C Kemp, Senior Teacher
S Lawson, Senior Teacher
J Newton, Senior Teacher
D White, Senior Teacher
I Sands, Senior Teacher
A Kaliski, Network Manager
A Pullen, Headteacher's Personal Assistant

Independent auditor

Hillier Hopkins LLP
Chartered Accountants
Statutory Auditor
Radius House
51 Clarendon Road
Watford
Hertfordshire
WD17 1HP

Bankers

Lloyds Bank Plc
67 High Street
Watford
Hertfordshire
WD17 2DU

Solicitors

Veale Wasborough Vizards
Barnards Inn
86 Fetter Lane
London
EC4A 1AD

HERTSWOOD ACADEMY
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees present their annual report together with the financial statements and auditor's reports of the charitable company for the period 1 September 2015 to 31 August 2016

The Trust operates an Academy for students aged 11 to 19 serving Borehamwood and surrounding areas. It has a capacity of 1,400 and had a roll of 1319 in the School Census on 6 October 2015

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust. The Trustees of Hertswood Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Hertswood Academy.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Principal Activities

The Academy Trust has, as its principal activity, advanced education through the provision of a non-selective secondary school in Borehamwood which provides a broad and balanced curriculum.

The Academy Trust has also provided within the school, recreation and leisure facilities for the community of Borehamwood. These have been focussed on those in need of such facilities in accordance with our objectives. In addition to the normal use by local groups of the school facilities there has been extensive use of the Community Ark Theatre and the Hertswood Sports Centre which are exemplars of shared use between education establishments and the local community. The Academy plans to rebuild the school on the Lower Site, and hopes that this work can begin in the financial year 2016-2017. This will necessitate an interruption to the provision of theatre and sports facilities, which will be restored with the new building. Towards the end of this financial year, the Ark Theatre ceased to take commercial bookings while continuing existing community bookings on a restricted basis.

Method of Recruitment and Appointment or Election of Trustees

Members of the Academy Trust comprise:

- Subscribers to the Memorandum
- The Meller Educational Trust
- The Sponsor
- Up to 1 person appointed by the Sponsor
- The Chair and Vice Chair of Governors
- Up to 2 additional persons appointed unanimously by the Members
- 1 person appointed by the Secretary of State if required

Governors of the Academy comprise:

HERTSWOOD ACADEMY
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

- Up to 2 persons appointed by the Members
- Up to 3 Staff Governors
- 1 Local Authority Governor
- Up to 5 Parent Governors
- The Headteacher
- Up to 4 Co-opted Governors
- Governors appointed by the Secretary of State if required

The Trust follows the requirements of paragraphs 50-64 of its Articles in appointing Governors. The approach here is to ensure there is a balanced participation from local stakeholders in the Academy and elections are used to appoint Staff and Parent Governors. The skills of serving Governors are taken into account when considering new appointments to the Board.

Policies and Procedures Adopted for the Induction and Training of Trustees

Upon appointment, new governors are provided with a pack of documents which gives them basic information about their role. The Academy Trust subscribes to the governor training service provided by Herts for Learning. Please see the section on "Connected Organisations" for further information about the relationship with Herts for Learning. New governors will be booked onto the Herts for Learning governor induction course. Training courses on a wide variety of governance-related topics are available to governors during the academic year. Governors are also able to attend forums organised by the Hertfordshire Association of School Governors, as well as the Hertfordshire School Governors' Annual Conference.

Organisational Structure

The Academy Trust is sponsored by David Meller and is one of several educational establishments assisted by the Meller Educational Trust charity. Please see under "Connected Organisations" below, for more information about the relationship with the Meller Educational Trust.

The membership structure of the Academy Trust is set out in the Articles of Association. Members have an Annual General Meeting, but can also hold other meetings in accordance with the provisions of the Articles.

As set out in the Articles of Association, the Governors are the Directors of the Trust and responsible for its business. There are at least four full governing body meetings each year. The Governors have established three standing committees that each meet six times a year. These are the Curriculum Committee, the Pastoral and Community Committee, and the Resources Committee. The Resources Committee deals with finance, audit, human resources, premises and governance issues. The Clerk to the Governors manages the business meetings in line with an established work programme and ensures that agenda and reports for meetings are circulated beforehand and proper minutes kept.

The Governors have put in place statutory and discretionary policies to manage the way the Academy operates. Of special note is the Scheme of Financial Delegation, which sets out the relevant authority levels and procedures for making different types of decisions. This ensures that the Headteacher has all the necessary authority to run the Academy on a daily basis and that key strategic issues are determined by Governors.

The Headteacher acts as Chief Accounting Officer.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The directors consider the following members of the Senior Leadership Team to be the key management personnel of the Academy in charge of directing and controlling, running and operating the Trust on a day to day basis:

HERTSWOOD ACADEMY
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Peter Gillett-Headteacher
Deputy Headteacher-James Wood
Deputy Headteacher-Tora Hodge
Academy Business Manager-Shelagh Musk
Assistant Headteacher-Wanda Gill
Assistant Headteacher-Laura Edgar
Assistant Headteacher Carey McFerran

The pay of the senior staff is reviewed annually as part of the Academy's performance management review procedure. Where staff have the potential to increment this will be reviewed and agreed by the Headteacher and ultimately by the Governors. The grading of key management personnel is benchmarked to similar sized academies

Connected Organisations including Related Party Relationships

The Academy Trust is assisted by its sponsor David Meller, and the Meller Educational Trust, which is an exempt charity for the purposes of the Charities Act 2011. To avoid confusion, Hertswood Academy and the Meller Educational Trust are two entirely separate legal entities. Hertswood Academy is not part of the Meller Educational Trust, but the two aim to work closely together. The Meller Educational Trust is one of the members of Hertswood Academy. "Sponsorship" here refers to the commitment of leadership, expertise, and support. The Academy Trust contributes to the running costs of the Meller Educational Trust. This relationship provides opportunities for the sharing of expertise and good practice with other establishments linked to the Meller Educational Trust. It is planned to utilise these connections further in the future, for example through the joint procurement of external services. It should be noted, therefore, that the link with the Meller Educational Trust also implies relationships of varying degrees with the schools it is associated with. Locally, this means the Bushey Academy and the Elstree UTC.

The Academy Trust has a very close relationship with primary schools in Borehamwood and the surrounding area, which includes the sharing of resources and expertise.

There is a close relationship with Hertsmere Borough Council, especially in regard to The Ark Theatre which is sited within the Academy.

There is also a close relationship with Hertsmere Leisure Trust, which manages the Academy's Sports Centre (the Hertswood Centre) as a dual-use facility. The Academy has use during school hours and the community has use at all other times. Hertsmere Leisure Trust also manages the community's use of the Multi-Use Games Area.

The Academy Trust has a well-established relationship with Hertfordshire County Council and liaises closely with them on a range of issues.

The Trust owns a £25 share in Herts for Learning Ltd, the purchase of which was ratified by the Board of Herts for Learning at their meeting on 2 July 2015. This is an educational services company established by Hertfordshire County Council. The Academy is able to buy support services from Herts for Learning at a preferential shareholder rate, and is entitled to one vote at the Herts for Learning Annual General Meeting.

The Trust also works with a range of local groups that make use of the Academy's facilities, such as users of the Ark Theatre.

The Trust has a commercial relationship with a range of external providers of services, such as catering, cleaning, and facilities compliance. For example, the relationship with Cucina has transformed the provision of catering at the Academy so that it can contribute directly to student morale and performance.

HERTSWOOD ACADEMY
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

OBJECTIVES AND ACTIVITIES

Objects and Aims

The objects of the trust are to:

- Advance for the public benefit education in the United Kingdom, in particular, but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and develop an academy offering a broad and balanced curriculum.
- To promote for the benefit of the inhabitants of Borehamwood and the surrounding area, the provision of facilities for recreation and other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of the life of the said inhabitants.

Objectives, Strategies and Activities

World-Class Ambitions: Our ambition is to provide a world-class educational environment for our community. We have the highest aspirations for all students and will ensure they achieve the best possible outcomes through outstanding teaching, an engaging curriculum and quality care and support.

Ready To Succeed: Our students will develop resilience, will be literate and numerate and be ready for challenges they will face in modern society. We have a clear expectation for our students to work hard, behave well and act with integrity so that they grow as confident individuals, responsible citizens and successful independent learners. Well-equipped for higher education and employment, our students will develop leadership skills and be ambitious for their future learning opportunities and career goals.

Accomplish Through Effort: As a fully inclusive academy within our community, we are committed to the principle of a 'growth mindset' in that, no matter where one starts from, great accomplishments are possible through dedication and effort. We believe that all barriers can be overcome through our determination to succeed and the learning strategies we employ.

Achievement For All: We respect and value all members of our community, ensuring a safe, happy and secure learning environment to foster high self-esteem for all. As lifelong learners, Hertswood Academy staff are role models for our students, continually developing their own practice and inspiring the community to aim high and achieve excellence.

In particular, this academic year we are striving to:

- Achieve a fifth consecutive year of improved outcomes at GCSE and in the Sixth Form, building on current results which are already above national standards
- Achieve an 'Outstanding' grade in the next planned OFSTED visit in Summer 2017
- Successfully move to a single site arrangement

During the last academic year we raised over £10,000 for local and national charities such as Noah's Ark Children's Hospice, Sports Relief and Children in Need. This year we aim to raise even more.

Public Benefit

The academy trust directors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

HERTSWOOD ACADEMY
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

STRATEGIC REPORT

Achievement and Performance

This year, our GCSE results rose to 63% 5+ A*-C including English and mathematics and in particular, the expected progress of students in English and mathematics rose significantly to over 80%. This was in line with an increase in our value added measure which also rose from 1000 in 2015 to 1017 in 2016. When compared with the most recent previous 4 year trends, a rise of 27% over 4 consecutive academic years as shown in the table below, places Hertswood well within the top 1% most improved secondary schools in the country.

Year	2012	2013	2014	2015	2016
GCSE %5+ A*- C incl. maths & English	36	46	52	61	63

Reflecting the new measures, our first progress 8 measure is positive and 67% of students passed both English and mathematics, the main gateway qualifications for further education and employment. Our Ebacc score continues to rise and is now at 14% with a target of 18% at the end of this academic year.

Sixth Form

In the Sixth Form, our best ever overall point score and record number of A/A* or equivalent grades were confirmed. We were delighted to report another rise in our university entrants this year (from 65 in 2015 to 72 in 2016) with our top student winning a place at Cambridge University after securing A*A*A*A* at A-Level. From the most recent QS UK University Rankings (<http://www.topuniversities.com/university-rankings/world-university-rankings/2016>) our students won places at 5 out of the top 8 UK universities, namely Imperial, UCL, Kings College, LSE and Cambridge. With our overall average grade reported in the new measures at C+ there is still much headroom for further improvement across a variety of subject areas in the Sixth Form.

Key Performance Indicators

GCSE

- Highest ever 5+ A*-C incl. maths and English - 63%
- Highest ever % of students passing maths and English - 67%
- Highest ever maths results - 76%
- Highest ever English results - 75%
- Highest levels of progress in maths (82%) and English (85%)
- Highest ever value added score - 1017
- Top 5 students achieved 34 A* grades and 17 A grades between them
- Progress 8 measure of 0.01

Sixth Form

- Highest ever overall average point score - 219.4
- 86% A*-C (highest ever)
- 43% A*-A (highest ever)
- Highest ever number of students continuing to university - 72
- Oxbridge entry success

Going Concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing financial statements. Further details regarding the

HERTSWOOD ACADEMY
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

The Academy is funded on a per pupil basis. In 2015/16 the numbers were 1304 compared to 1320 in 2014/15, a decrease of 16.

The largest expense of the academy is staffing. In 2015/16 staffing costs totalled £6,501,761 against a budget £6,534,319 representing a saving/additional cost of £32,558.

The Resources Committee, in monitoring the financial reports, pays particular regard to staffing costs to help make sure that the budget is not exceeded.

The Academy is mainly funded by the Education Funding Agency. This General Annual Grant is restricted to expenditure incurred for the primary purpose of educating students. The Academy also receives Pupil Premium funding to support disadvantaged students and to close the attainment gap between them and other students.

The Academy generates additional income from letting the premises to the community and activities hosted in the Community Theatre. This income is unrestricted and can be used for other purposes.

The income received in year funded the educational spending of the Academy.

The academy had fixed assets reserves totalling £21,026,448. This includes the transfer of lands and buildings.

The Local Government Pension Fund liability at 31 August 2016 was £2,439,000.

Reserves Policy

The Academy Trust is aware that it must have sufficient funds available to meet its liabilities. To ensure that this was possible the academy set a balanced budget for 2015-16. However, it has had to draw on its remaining reserves in setting a budget for 2016-2017. This was because of reduced Government funding, combined with increased pension and national insurance costs, resulting in a significant drop in net income. The Trust intends to renew its reserves at the earliest opportunity.

The academy sets a budget for repairs and maintenance of the buildings, roof repairs and boiler maintenance. These budgets are on a costed maintenance programme.

The Resources Committee receives monthly budget monitoring reports predicting funds available at the year and reviews the spending to ensure it is effectively used. In doing so the Governors have regard to the Educational Funding Agency's guidelines on the level of reserves.

During the year the Academy had to utilise GAG funding to support the new build project. The first tranche of sales income for the disposal of the Upper School land is anticipated in December 2016. The accounts will show that GAG is overspent in year to the value of £260,941. The professional fees expenditure incurred for the project to the 31 August 2016 totals £536,851. The deficit being reported in GAG for 2015/16 is due to the timing difference between income and expenditure.

Investment Policy

During the year 2016/17 the academy will monitor investments and cash flow very carefully as income from the anticipated sale of the upper school is realised. This will be regulated by the EFA.

HERTSWOOD ACADEMY
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Principal Risks and Uncertainties

The Academy Trust has negotiated the sale of its Upper School site in order to fund a new building on its Lower School site. Delay in the granting of planning permission has meant that funds spent on professional fees relating to the building proposals has had to be temporarily funded from GAG reserves. The first tranche of income for the sale of Upper Site land is anticipated in December 2016 and this will rectify the GAG reserves.

External sources of funding for the community theatre have largely ceased, so a future challenge for the Academy will be ensuring that the Theatre's finances do not impact adversely on the operations of the Academy.

The existing Elstree UTC and proposed free schools will increasingly offer local students greater choice as to where they study. While it is unclear to what extent they may impact Hertswood in the long term, increased local housing development may well mean that these providers bring extra capacity to meet increased demand, rather than necessarily impacting on Hertswood's student numbers. Hertswood's year 7 intakes are now over-subscribed, and should remain so with its academic attainment being recognised and celebrated in the local community.

The Academy has previously been in a fortunate position with a healthy bank balance due to the inherited reserves on conversion. The Academy has experienced a drop in funding and increase in costs over the past few years, coupled with the new build project which has incurred significant professional fees to date. These factors have contributed to the current position we find ourselves in-having to monitor cashflow closely. To mitigate this risk the Finance Manager has completed a cashflow forecast report and all payments are monitored accordingly to ensure that cashflow is maximised and the Academy does not exceed its financial capacity.

Plans for the Future

The key aim for the future is to continue to raise achievement beyond national averages and become an outstanding school as rated by Ofsted. This is so that the Academy Trust's students can be well prepared for their next steps in life. The intention is for each student to "aim high and achieve excellence". Whether that means being accepted on courses at Russell Group universities or on suitable apprenticeships, the Academy Trust's aim is to help each student to achieve their best.

The Governing Body is clear that students need proper facilities in which to study. We have worked hard over the last three years with the relevant authorities to progress plans for the sale of upper school to finance a complete new build on lower school to house the whole school and we are pleased that planning permission has finally been obtained.

We are now about to start an exciting phase in the project and will be working towards vacating upper school in the summer of 2017 with the whole school on the lower site for the start of the academic year in September 2017. This will be in a mix of existing and temporary classrooms during the construction of the new school.

The Academy will work in close liaison with the Willmott Dixon, the EFA, HCC and The Meller Educational Trust with their expertise and experience to ensure a smooth transition for students, with no disruption to their education. Our focus will be to continue the improvement to students' achievement even during the build programme.

Funds Held as Custodian Trustees on Behalf of Others

There were no funds held as custodian trustees on behalf of others.

HERTSWOOD ACADEMY
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Disclosure of information to Auditors

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditor in connection with preparing its report and to establish that the charitable company's auditor is aware of that information.

Auditor

The auditor, Hillier Hopkins LLP, has indicated its willingness to continue in office and a resolution to appoint them will be proposed at the Annual General Meeting.

This report was approved by the order of the Governing Body as the company directors, on **5/12/2016** and signed on its behalf by



.....
M W Doe
Chair of Trustees

HERTSWOOD ACADEMY
(A company limited by guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The Governing Body has delegated the day-to-day responsibility to the Headteacher, as Chief 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 Hertswood Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The Governing Body has formally met 5 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Trustee	Meetings attended	Out of a possible
A E Grange	4	4
F H G Blackwood	5	5
J L W Cox, Co-opted, member of staff	3	5
D K Davies	3	5
M W Doe, Co-opted, Chair of Trustees	5	5
A M Harrison, Co-opted	4	5
V A Hodge, Staff Trustee	3	5
R Johnson	4	5
R A Kirk, Co-opted	4	5
D Meller	0	5
P Gillett, Head Teacher	5	5
J D Smith	4	5
S J Smith	5	5
C Wainwright	2	5
L Rattigan	1	2

Resignations and Appointments:-

The following Governors' terms of office ended during the year:

- Lisa Rattigan (Parent Governor) with effect from 05 February 2016
- Stuart Smith (Parent Governor) with effect from 11 July 2016

The following Governors were appointed:

- Anne Grange (LEA Governor) with effect from 11 October 2015

The Resources Committee is a committee of the Governing Body. Its purpose is to take a strategic view on financial, premises and personnel matters and review and monitor performance in these areas.

HERTSWOOD ACADEMY
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
J L W Cox	7	8
M W Doe	8	8
P Gillett	8	8
V A Hodge	8	8
R A Kirk	6	8
A E Grange	5	5

REVIEW OF VALUE FOR MONEY

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

The Chief Accounting Officer considers how the Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the Governing Body where value for money can be improved, including the use of benchmarking data where appropriate. The Chief Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

- Results in the Summer of 2016 saw GCSE results rise to 63% of students achieving 5+ A*-C with both English and Maths GCSEs exceeding the national averages. At KS5, A Level results included 86% A*-C and 43% A*-A.
- Our Service Level Agreement with The Meller Educational Trust continues to provide preferential rates for services negotiated by the MET. In addition to access to a Maths Specialist we have also been given a day consultancy with an English Specialist.
- As reported last year the Academy changed the reprographics solution in the school. We anticipated making a saving of £20,000pa, but actually made a saving of £33,000.
- Due to the increasing cost of running the Community Theatre, the Academy took a considered decision to close the theatre and utilise the money the money saved on intervention strategies to support increasing results at GCSE.

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 Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hertswood Academy for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Governing Body has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

HERTSWOOD ACADEMY
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

THE RISK AND CONTROL FRAMEWORK

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

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

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed Hillier Hopkins LLP, the external auditor, to perform additional checks.

The auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the auditor reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

The reports identified some minor changes which were all actioned and confirmed as resolved by the internal auditor.

REVIEW OF EFFECTIVENESS

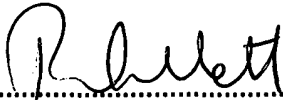
As Chief Accounting Officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Governing Body on **5/12/2016** and signed on their behalf, by:


.....
M W Doe
Chair of Trustees


.....
P Gillett, Headteacher
Chief Accounting Officer

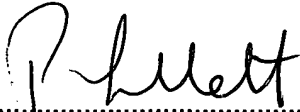
HERTSWOOD ACADEMY
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Hertswood Academy I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

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

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



.....
P Gillett, Headteacher
Chief Accounting Officer

HERTSWOOD ACADEMY
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who act as governors of Hertswood Academy and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Strategic report, the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company'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 Governing Body on **5/12/2016** and signed on its behalf by:


.....
M W Doe
Chair of Trustees

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HERTSWOOD ACADEMY**

We have audited the financial statements of Hertswood Academy for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the academy for the purposes of company law) 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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' 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.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HERTSWOOD ACADEMY**

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating 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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alexander Bottom ACA (Senior statutory auditor)

for and on behalf of

Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

Radius House
51 Clarendon Road
Watford
Hertfordshire
WD17 1HP

Date: 20th December 2016

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO
HERTSWOOD ACADEMY AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 10 July 2012 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 Hertswood Academy during the year 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 Hertswood Academy and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Hertswood Academy 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 Hertswood Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF HERTSWOOD ACADEMY'S CHIEF ACCOUNTING OFFICER AND
THE REPORTING ACCOUNTANT**

The chief accounting officer is responsible, under the requirements of Hertswood Academy's funding agreement with the Secretary of State for Education dated 28 August 2012, 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 year 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.

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material misstatement and irregularity across the Academy Trust's activities.
- Testing and review of areas identified through risk assessment including enquiry, observation, inspection and review of supporting evidence.
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime.

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO
HERTSWOOD ACADEMY AND THE EDUCATION FUNDING AGENCY (continued)**

- Consideration of evidence obtained through the work performed 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 year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

Radius House
51 Clarendon Road
Watford
Hertfordshire
WD17 1HP

Date: 20th December 2016

HERTSWOOD ACADEMY
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
INCOME FROM:						
Donations and capital grants	2	599	-	27,383	27,982	28,572
Charitable activities	3	580,824	7,833,548	-	8,414,372	8,422,644
Other trading activities	4	152,526	-	-	152,526	246,958
Investments	5	1,126	-	-	1,126	2,278
TOTAL INCOME		735,075	7,833,548	27,383	8,596,006	8,700,452
EXPENDITURE ON:						
Raising funds	6	123,706	-	-	123,706	157,609
Charitable activities		496,987	8,635,462	408,502	9,540,951	9,100,175
TOTAL EXPENDITURE	9	620,693	8,635,462	408,502	9,664,657	9,257,784
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS.						
Transfers between Funds	19	114,382 (508,840)	(801,914) 394,894	(381,119) 113,946	(1,068,651) -	(557,332) -
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES		(394,458)	(407,020)	(267,173)	(1,068,651)	(557,332)
Actuarial losses on defined benefit pension schemes	23	-	(886,000)	-	(886,000)	(15,000)
NET MOVEMENT IN FUNDS		(394,458)	(1,293,020)	(267,173)	(1,954,651)	(572,332)
RECONCILIATION OF FUNDS:						
Total funds brought forward		394,458	(1,161,174)	21,293,621	20,526,905	21,099,237
TOTAL FUNDS CARRIED FORWARD		-	(2,454,194)	21,026,448	18,572,254	20,526,905

HERTSWOOD ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER: 07992852

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	15		20,963,317		21,218,756
Investments	16		25		25
			<u>20,963,342</u>		<u>21,218,781</u>
CURRENT ASSETS					
Debtors	17	143,332		130,860	
Cash at bank and in hand		497,541		1,043,503	
		<u>640,873</u>		<u>1,174,363</u>	
CREDITORS: amounts falling due within one year	18	(592,961)		(367,239)	
NET CURRENT ASSETS			<u>47,912</u>		<u>807,124</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,011,254</u>		<u>22,025,905</u>
Defined benefit pension scheme liability	23		(2,439,000)		(1,499,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>18,572,254</u></u>		<u><u>20,526,905</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	19	(15,194)		337,826	
Restricted fixed asset funds	19	21,026,448		21,293,621	
Restricted income funds excluding pension liability		21,011,254		21,631,447	
Pension reserve		<u>(2,439,000)</u>		<u>(1,499,000)</u>	
Total restricted income funds			<u>18,572,254</u>		<u>20,132,447</u>
Unrestricted income funds	19		-		394,458
TOTAL FUNDS			<u><u>18,572,254</u></u>		<u><u>20,526,905</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on **5 December 2016** and are signed on their behalf, by:


.....
M W Doe
Chair of Trustees

The notes on pages 23 to 44 form part of these financial statements.

HERTSWOOD ACADEMY
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	21	<u>(421,408)</u>	<u>2,995</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,126	2,278
Purchase of tangible fixed assets		(153,063)	(168,760)
Capital grants from DfE/EFA		27,383	27,805
Capital funding received from sponsors and others		-	75,000
Purchase of unlisted and other investments		-	(25)
Net cash used in investing activities		<u>(124,554)</u>	<u>(63,702)</u>
Change in cash and cash equivalents in the year		<u>(545,962)</u>	<u>(60,707)</u>
Cash and cash equivalents brought forward		1,043,503	1,104,210
Cash and cash equivalents carried forward	22	<u><u>497,541</u></u>	<u><u>1,043,503</u></u>

HERTSWOOD ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. 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.

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (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.

Hertswood Academy constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

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

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

Reconciliations to previous UK GAAP for the comparative figures are included in note 27.

1.2 Company status

The academy is a company limited by guarantee. The members of the company are the Members named on page 1. In the event of the academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the academy.

1.3 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Department for Education.

HERTSWOOD ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.4 Income

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where there is certainty of receipt and it is measurable.

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

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

1.5 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.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

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

All resources expended are inclusive of irrecoverable VAT.

HERTSWOOD ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.6 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 academy 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.

1.7 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account and carried forward in the Balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property - buildings	-	2% straight line
Freehold Property - land	-	over the length of the lease
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	10% straight line
Computer equipment	-	33.3% reducing balance

Assets under construction are not depreciated as they are not yet in operational use.

1.8 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of financial activities incorporating income and expenditure account.

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

HERTSWOOD ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.10 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.11 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.12 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.14 Financial instruments

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

1.15 Taxation

The academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy 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.

HERTSWOOD ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.16 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy 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 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account 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.

HERTSWOOD ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. ACCOUNTING POLICIES (continued)

1.17 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 23, 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.

Critical areas of judgement:

Valuation of tangible fixed assets

Trustees have considered the value of tangible fixed assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, which would require the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Due to their nature, evaluating whether an asset is impaired requires a significant degree of judgement and may to a large extent depend on the assumptions made in its evaluation. The trustees have concluded that the valuation of the tangible fixed assets as at the year end are appropriate.

Depreciation and residual values

The trustees have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

1.18 Agency Arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from the EFA. Payments received from the EFA and subsequent disbursements to students are excluded from the statement of financial activities as the academy does not have control over the charitable application of the funds. The academy trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of the financial activities. The funds received and paid and any balances held are disclosed in note 28.

HERTSWOOD ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations	599	-	-	599	767
Government grants	-	-	27,383	27,383	27,805
	<u>599</u>	<u>-</u>	<u>27,383</u>	<u>27,982</u>	<u>28,572</u>
Total donations and capital grants	599	-	27,383	27,982	28,572

In 2015, of the total income from donations and capital grants, £ 767 was to unrestricted funds and £27,805 was to restricted funds

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	5,946,391	5,946,391	6,050,016
Pupil Premium	-	395,900	395,900	388,426
Other DfE income	-	73,701	73,701	33,127
Other EFA income	-	1,380,000	1,380,000	1,373,004
	<u>-</u>	<u>7,795,992</u>	<u>7,795,992</u>	<u>7,844,573</u>
Other government grants				
Other government grants	-	9,084	9,084	28,004
	<u>-</u>	<u>9,084</u>	<u>9,084</u>	<u>28,004</u>
Other funding				
Trip income	73,268	-	73,268	80,087
Catering income	425,097	-	425,097	384,940
Other income	82,459	28,472	110,931	85,040
	<u>580,824</u>	<u>28,472</u>	<u>609,296</u>	<u>550,067</u>
	<u>580,824</u>	<u>7,833,548</u>	<u>8,414,372</u>	<u>8,422,644</u>

In 2015, of the total income from charitable activities, £549,987 was to unrestricted funds and £7,872,657 was to restricted funds.

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4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
ARK theatre income	110,603	-	110,603	134,154
Hire of facilities	41,666	-	41,666	37,093
Other generated income	257	-	257	711
Other capital income	-	-	-	75,000
	<u>152,526</u>	<u>-</u>	<u>152,526</u>	<u>246,958</u>

In 2015, of the total income from other trading activities, £171,958 was to unrestricted funds and £75,000 was to restricted funds.

5. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Interest received	1,126	-	1,126	2,278
	<u>1,126</u>	<u>-</u>	<u>1,126</u>	<u>2,278</u>

In 2015, of the total investment income, £2,278 was to unrestricted funds and £ NIL was to restricted funds.

6. COSTS OF TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
ARK theatre expenditure	54,873	-	54,873	79,570
Theatre staff costs	68,833	-	68,833	78,039
	<u>123,706</u>	<u>-</u>	<u>123,706</u>	<u>157,609</u>

In 2015, of the total voluntary income, £157,609 was to unrestricted funds and £ NIL was to restricted funds.

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7. DIRECT COSTS

	Educational Activities £	Total 2016 £	Total 2015 £
Educational supplies	489,408	489,408	441,652
Examination fees	129,073	129,073	140,349
Staff development	49,320	49,320	40,897
Trip expenditure	71,890	71,890	77,449
Other direct costs	175,050	175,050	148,411
Wages and salaries	4,658,078	4,658,078	4,529,040
National insurance	410,636	410,636	356,952
Pension cost	758,789	758,789	641,078
	<u>6,742,244</u>	<u>6,742,244</u>	<u>6,375,828</u>

In 2015, the academy incurred the following Direct costs:

£6,375,828 in respect of Educational Activities

8. SUPPORT COSTS

	Educational Activities £	Total 2016 £	Total 2015 £
FRS102 pension costs	55,000	55,000	52,000
Staff development	5,448	5,448	8,027
Technology costs	156,036	156,036	171,442
Travel and subsistence	4,000	4,000	3,934
Recruitment	8,045	8,045	5,982
Maintenance of premises	171,853	171,853	49,479
Maintenance of equipment	6,611	6,611	5,873
Cleaning	168,908	168,908	164,124
Rent and rates	70,232	70,232	75,412
Energy	171,463	171,463	192,558
Insurance	41,121	41,121	50,201
Security	7,937	7,937	895
Transport	10,501	10,501	7,635
Catering	581,060	581,060	559,461
Bank interest and charges	3,096	3,096	3,310
Legal and professional services	43,093	43,093	39,306
Other support costs	259,992	259,992	291,756
Governance costs	20,384	20,384	29,037
Wages and salaries	459,690	459,690	451,758
National insurance	35,966	35,966	30,722
Pension cost	109,769	109,769	106,568
Depreciation	408,502	408,502	424,867
	<u>2,798,707</u>	<u>2,798,707</u>	<u>2,724,347</u>

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8. SUPPORT COSTS (continued)

During the year ended 31 August 2016, the academy incurred the following Governance costs:
£20,384 (2015 - £29,037) included within the table above in respect of Educational Activities.

In 2015, the academy incurred the following Support costs:
£2,695,310 in respect of Educational Activities.

9. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Expenditure on raising voluntary income	68,833	-	54,873	123,706	157,609
Educational Activities:					
Direct costs	5,827,503	-	914,741	6,742,244	6,375,828
Support costs	605,425	947,187	1,246,095	2,798,707	2,701,347
	<u>6,501,761</u>	<u>947,187</u>	<u>2,215,709</u>	<u>9,664,657</u>	<u>9,234,784</u>

In 2016, of the total expenditure, £620,693 (2015 - £620,206) was to unrestricted funds and £9,043,965 (2015 - £8,614,578) was to restricted funds.

10. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charity	408,502	424,867
Auditor's remuneration - audit	7,950	7,725
Auditor's remuneration - non-audit	7,675	6,520
Auditor's remuneration - March Comparison Study	-	11,500
	<u>424,127</u>	<u>449,612</u>

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11. STAFF COSTS

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	5,141,175	5,029,433
Social security costs	449,679	391,366
Operating costs of defined benefit pension schemes	877,487	757,465
	<u>6,468,341</u>	<u>6,178,264</u>
Supply teacher costs	33,420	15,893
	<u>6,501,761</u>	<u>6,194,157</u>

The average number of persons employed by the academy during the year was as follows:

	2016 No.	2015 No.
Teaching	106	96
Administration & support	58	61
Management	8	7
	<u>172</u>	<u>164</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2016 No.	2015 No.
In the band £60,001 - £70,000	3	3
In the band £70,001 - £80,000	1	1
In the band £100,001 - £110,000	1	1

5 (2015: 5) of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2016, employer pension contributions for these staff amounted to £62,079 (2015: £50,971).

The key management personnel of the academy trust comprise the trustees and the senior leadership 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 £733,671 (2015: £694,038).

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12. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2016 £	2015 £
P Gillett	Remuneration	105,000-110,000	100,000-105,000
	Pension contributions paid	15,000-20,000	10,000-15,000
C Wainwright	Remuneration	20,000-25,000	20,000-25,000
	Pension contributions paid	5,000-10,000	5,000-10,000
V H Hodge	Remuneration	65,000-70,000	60,000-65,000
	Pension contributions paid	10,000-15,000	5,000-10,000
R Johnson	Remuneration	35,000-40,000	35,000-40,000
	Pension contributions paid	5,000-10,000	5,000-10,000
J Cox	Remuneration	20,000-25,000	25,000-30,000
	Pension contributions paid	5,000-10,000	5,000-10,000

During the year, no Trustees received any reimbursement of expenses (2015 - £NIL).

13. TRUSTEES' AND OFFICERS' INSURANCE

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

14. OTHER FINANCE INCOME

	2016 £	2015 £
Interest income on pension scheme assets	62,000	50,000
Interest on pension scheme liabilities	(117,000)	(102,000)
	<u>(55,000)</u>	<u>(52,000)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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15. TANGIBLE FIXED ASSETS

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Assets under constructio n £	Total £
Cost						
At 1 September 2015	21,584,000	80,765	77,885	314,688	425,120	22,482,458
Additions	-	-	4,570	36,762	111,731	153,063
At 31 August 2016	21,584,000	80,765	82,455	351,450	536,851	22,635,521
Depreciation						
At 1 September 2015	1,025,796	28,577	31,650	177,679	-	1,263,702
Charge for the year	341,932	6,718	11,184	48,668	-	408,502
At 31 August 2016	1,367,728	35,295	42,834	226,347	-	1,672,204
Net book value						
At 31 August 2016	20,216,272	45,470	39,621	125,103	536,851	20,963,317
At 31 August 2015	20,558,204	52,188	46,235	137,009	425,120	21,218,756

16. FIXED ASSET INVESTMENTS

	Unlisted securities £
Cost	
At 1 September 2015 and 31 August 2016	25

17. DEBTORS

	2016 £	2015 £
Trade debtors	16,465	13,097
Other debtors	21,520	10,649
Prepayments	75,515	87,320
Tax recoverable	29,832	19,794
	<u>143,332</u>	<u>130,860</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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18. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	249,127	60,381
Other taxation and social security	130,412	118,114
Other creditors	169,622	130,892
Accruals and deferred income	43,800	57,852
	<u>592,961</u>	<u>367,239</u>
	2016 £	2015 £
Deferred income		
Deferred income at 1 September 2015	50,352	21,329
Resources deferred during the year	35,850	50,352
Amounts released from previous years	(50,352)	(21,329)
	<u>35,850</u>	<u>50,352</u>

At the balance sheet date, the academy trust was holding funds received in advance for lettings, school trips and the rates relief grant relating to the 2016/17 financial period.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

19. STATEMENT OF FUNDS

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds	394,458	735,075	(620,693)	(508,840)	-	-
Restricted funds						
General Annual Grant (GAG)	-	5,946,391	(6,601,776)	394,894	-	(260,491)
Pupil Premium	244,543	395,900	(431,380)	-	-	209,063
Other EFA income	32,013	73,701	(105,714)	-	-	-
Other DfE income	39,044	1,380,000	(1,387,712)	-	-	31,332
Other government grants	19,726	9,084	(25,825)	-	-	2,985
Other restricted income	-	28,472	(26,555)	-	-	1,917
Restricted donations	2,500	-	(2,500)	-	-	-
Pension reserve	(1,499,000)	-	(54,000)	-	(886,000)	(2,439,000)
	<u>(1,161,174)</u>	<u>7,833,548</u>	<u>(8,635,462)</u>	<u>394,894</u>	<u>(886,000)</u>	<u>(2,454,194)</u>
Restricted fixed asset funds						
Restricted fixed asset funds	21,143,756	-	(408,502)	(308,788)	-	20,426,466
School rebuild project	75,000	-	-	461,851	-	536,851
EFA capital grants	74,865	27,383	-	(39,117)	-	63,131
	<u>21,293,621</u>	<u>27,383</u>	<u>(408,502)</u>	<u>113,946</u>	<u>-</u>	<u>21,026,448</u>
Total restricted funds	<u>20,132,447</u>	<u>7,860,931</u>	<u>(9,043,964)</u>	<u>508,840</u>	<u>(886,000)</u>	<u>18,572,254</u>
Total of funds	<u>20,526,905</u>	<u>8,596,006</u>	<u>(9,664,657)</u>	<u>-</u>	<u>(886,000)</u>	<u>18,572,254</u>

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

The General Annual Grant (GAG) represents the core funding for the educational activities of the academy that has been provided via the Education Funding Agency (EFA) by the Department for Education. The GAG fund must be used for the normal running costs of the academy.

The GAG fund is in deficit by £260,491 as at 31 August 2016. This is due to timing differences on the income and expenditure of the school rebuild project. Total expenditure for the school rebuild project to 31 August 2016 was £536,851. However, only £75,000 of income has been received by 31 August 2016 so the balance of expenditure has been temporarily funded through GAG income. The income relating to

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19. STATEMENT OF FUNDS (continued)

expenditure is expected to be received in December 2016.

Pupil Premium is a grant allocated to academies with pupils that are known to be eligible for free school meals. The purpose is to raise attainment for pupils from low income families. Pupil Premium includes Ever 6 Funding for students that have been eligible for free school meals at and time in the preceding 6 years and funding for CLA (Children Looked After) in the care of the local authority.

Other EFA grants represents core funding, including:

- 16 - 19 allocation
- Insurance grant
- Rate relief grant

The pension reserve represents the net deficit on the LGPS defined benefit pension scheme. The deficit arose because of the pension scheme deficit inherited upon conversion and future GAG funding agreed by the EFA is expected to be sufficient to take the fund back into surplus.

The restricted fixed asset fund includes the freehold property and all significant items of the fixed assets. Depreciation charges on the assets are allocated to the fund. Fixed asset additions in the year have been funded through unrestricted income.

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

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	20,963,317	20,963,317	21,218,756
Fixed asset investments	-	25	-	25	25
Current assets	12,889	564,854	63,131	640,874	1,174,363
Creditors due within one year	(12,889)	(580,073)	-	(592,962)	(367,239)
Provisions for liabilities and charges	-	(2,439,000)	-	(2,439,000)	(1,499,000)
	<u>-</u>	<u>(2,454,194)</u>	<u>21,026,448</u>	<u>18,572,254</u>	<u>20,526,905</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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**21. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW
FROM OPERATING ACTIVITIES**

	2016 £	2015 £
Net expenditure for the year (as per Statement of financial activities)	(1,068,651)	(557,332)
Adjustment for:		
Depreciation charges	408,502	424,867
Dividends, interest and rents from investments	(1,126)	(2,278)
(Increase)/decrease in debtors	(12,472)	43,427
Increase in creditors	225,722	146,116
Capital grants from DfE	(27,383)	(27,805)
Defined benefit pension scheme cost less contributions payable	54,000	51,000
Other capital income	-	(75,000)
Net cash (used in)/provided by operating activities	(421,408)	2,995

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	497,541	1,000,483
Notice deposits (less than 3 months)	-	43,020
Total	497,541	1,043,503

23. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hertfordshire County Council. Both are Multi-employer defined benefit pension 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 £107,341 were payable to the schemes at 31 August 2016 (2015 - 101,694) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these

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23. PENSION COMMITMENTS (continued)

contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

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

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

During the 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 £635,558 (2015 - £511,250).

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

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.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £302,000 (2015 - £308,000), of which employer's contributions totalled £242,000 (£247,000) and employees' contributions totalled £60,000 (2015 - £61,000). The agreed contribution rates for future years are 25.3% for employers and 5.5% to 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.70 %
Rate of increase in salaries	3.60 %	4.00 %
Rate of increase for pensions in payment / inflation	2.10 %	2.60 %

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

	2016	2015
Retiring today		
Males	22.3	22.3
Females	24.5	24.5
Retiring in 20 years		
Males	24.3	24.3
Females	26.7	26.7

The academy's share of the assets in the scheme was:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,298,430	953,560
Bonds	577,080	415,260
Property	144,270	107,660
Cash	41,220	61,520
Total market value of assets	<u>2,061,000</u>	<u>1,538,000</u>

The actual return on scheme assets was £263,000 (2015 - £62,000).

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2016 £	2015 £
Current service cost	(241,000)	(246,000)
Net interest cost	(55,000)	(52,000)
Total	<u>(296,000)</u>	<u>(298,000)</u>

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23. PENSION COMMITMENTS (continued)

Movements in the present value of the defined benefit obligation were as follows:

	2016 £	2015 £
Opening defined benefit obligation	3,037,000	2,639,000
Current service cost	241,000	246,000
Interest cost	117,000	102,000
Contributions by employees	60,000	61,000
Changes in financial assumptions/other experience	1,087,000	27,000
Benefits paid	(42,000)	(38,000)
	<u>4,500,000</u>	<u>3,037,000</u>

Movements in the fair value of the academy's share of scheme assets:

	2016 £	2015 £
Opening fair value of scheme assets	1,538,000	1,206,000
Return on plan assets (excluding net interest on the net defined pension liability)	62,000	50,000
Return on assets (excluding amounts included in net interest)	201,000	12,000
Contributions by employer	242,000	247,000
Contributions by employees	60,000	61,000
Benefits paid	(42,000)	(38,000)
	<u>2,061,000</u>	<u>1,538,000</u>

24. OPERATING LEASE COMMITMENTS

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

	2016 £	2015 £
Amounts payable:		
Within 1 year	45,331	45,331
Between 1 and 5 years	45,607	88,285
After more than 5 years	-	2,653
	<u>90,938</u>	<u>136,269</u>
Total		

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NOTES TO THE FINANCIAL STATEMENTS
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25. 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.

26. RELATED PARTY TRANSACTIONS

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

During the year ended 31 August 2016, the academy paid a recharge of costs for software licenses totalling £nil (2015: £961) from The Harefield Academy, related by virtue of trustee D Meller also being trustee of The Harefield Academy. There is £nil (2015: £nil) outstanding at year end.

During the year ended 31 August 2016, £146,360 (2015: £148,519) was paid to The Meller Educational Trust as part of a service level agreement and £nil (2015: £1,880) was received from the same trust for subscription to The Schools, Students and Teachers Network. The Meller Educational Trust is related by virtue of D Meller being trustee of both entities. There is £nil (2015: £nil) outstanding at year end.

During the year ended 31 August 2016, six members of staff, who are deemed close relatives of key management personnel, were paid gross remuneration (including employer's pension contributions) of £151,708.

HERTSWOOD ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

27. FIRST TIME ADOPTION OF FRS 102

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

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

RECONCILIATION OF TOTAL FUNDS	Notes	1 September 2014 £	31 August 2015 £
Total funds under previous UK GAAP		21,099,237	20,526,905
Total funds reported under FRS 102		<u>21,099,237</u>	<u>20,526,905</u>

Reconciliation of net (expenditure)	Notes	31 August 2015 £
Net (expenditure) previously reported under UK GAAP		(534,332)
Change in recognition of LGPS interest cost	A	(23,000)
Net movement in funds reported under FRS 102		<u>(557,332)</u>

Explanation of changes to previously reported funds and net income/expenditure:

A	Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income. Under FRS102 a net interest expense, based on the net defined benefit liability, is recognised in expense. There has been no change in the defined benefit liability either at 1 September 2014 or 31 August 2015. The effect of the change has been the debit to expense by £23,000 and decrease the debit in other recognised gains and losses in the SOFA by the equivalent amount.
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28. CONTROLLING PARTY

In the opinion of the governors there is no ultimate controlling party.

29. AGENCY ARRANGEMENTS

The academy trust distributes 16-19 bursary funds to students as an agent for the EFA. For the year ended 31 August 2016, the academy received £36,089 (2015: £35,494) and disbursed £11,773 (2015: £28,863) from the fund. An amount of £29,172 (2015: £4,856) is included in other creditors relating to undistributed funds that is repayable to the EFA.