

**The BRIT School Limited**

**Annual Report, Strategic Report and  
Financial Statements**

31 August 2016

Company Limited by Guarantee  
Registration Number  
2369239 (England and Wales)

Exempt Charity

## Contents

Reference and administrative details	1
<b>Reports</b>	
Trustees' report	3
Governance statement	14
Statement on regularity, propriety and compliance	19
Statement of Trustees' responsibilities	20
Independent auditors' report on the financial statements	21
<b>Financial statements</b>	
Statement of financial activities incorporating income & expenditure account	23
Balance sheet	25
Cash flow statement	26
Principal accounting policies	27
Notes to the financial statements	34
Independent auditors' report on regularity	46

## Reference and administrative details

<b>Corporate Member</b>	BPI (British Recorded Music Industry) Limited
<b>Directors/Trustees/ Nominated Governors who are also Members of the Company</b> (* These Governors have been proposed as Members to the BPI and the Secretary of State for Education, as required by our Articles. Confirmation has been received from the BPI but is awaited from the Secretary of State.)	Paul Burger (Chair of Governors & Personnel Committee) <sup>a, b, c</sup> David Carter (Chair of Finance Committee) <sup>c</sup> * Jo Charrington (appointed 1 January 2016) <sup>a</sup> * Madelaine Cooper (appointed 8 December 2015) <sup>d, e</sup> Maggie Crowe OBE <sup>a, d, f</sup> John Deacon CBE <sup>b</sup> * Angela Ferreira (appointed 8 December 2015) <sup>b, e</sup> * Martin Locket (appointed 1 January 2016) <sup>c, e</sup> Prof Sally Mackey <sup>f</sup> Dej Mahoney <sup>e, f</sup> Jonathan Morrish (Chair of PR/Marketing Committee) <sup>d</sup> Simon Presswell Maggie Semple OBE (resigned 21 June 2016) Jeff Simpson (resigned 31 December 2015) Geoff Taylor Horace Trubridge <sup>a</sup> Tony Wadsworth CBE (Chair of Principal's Performance Management Committee) <sup>b</sup> Peter Wylie (resigned 21 June 2016) Andrew Yeates (Chair of Governance Committee) <sup>a, c, e</sup>
<b>Co-opted Governors</b>	Jane Fairbourn (resigned 11 December 2015) Sylvia McNamara (Chair of Curriculum & Student Welfare Committee) <sup>a, f</sup>
<b>Staff Governors (Co-opted)</b>	Theresa Baker (elected 1 November 2014) <sup>c, f</sup> Victoria Bostock (retired 31 August 2016) Amanda Luis (elected 1 September 2016) <sup>d, e</sup>
<b>Parent Governors (Co-opted)</b>	Sarah Castle (elected 23 November 2015) Bridget McKenzie (elected 17 November 2014) <sup>f</sup> Joanna Scott (retired 31 October 2015) <sup>f</sup>
<b>Secretary</b>	Richard Elliott
<b>Senior Leaders</b>	
Principal	Stuart Worden <sup>a, c, d, f</sup>
Director of Finance	Richard Elliott <sup>a, c, d, e</sup>
Deputy Principal	Simon Collins (resigned 31 October 2015) <sup>f</sup>
Senior Assistant Principal	Kirsty Mehta (from 1 June 2016)
Interim Deputy Principal	Kirsty Mehta (1 November 2015 – 31 May 2016)
Assistant Principal – Academic Studies	Kirsty Mehta (to 31 October 2015)
Assistant Principal – Creative Arts	Adrienne Chapman
Assistant Principal – Performing Arts	Ray Oudkirk
Assistant Principal – Student Experience	Claire Mullord (from 1 June 2016)

## Reference and administrative details

### Committee membership during the year

- a Personnel Committee
- b Principal's Performance Management Committee
- c Finance Committee
- d PR/Marketing Committee
- e Governance Committee
- f Curriculum and Student Welfare Committee

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<b>Registered office</b>	60 The Crescent Croydon Surrey CR0 2HN
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<b>Company registration number</b>	2369239 (England and Wales)
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<b>Charity registration number</b>	The Company is an exempt charity, regulated by the Education Funding Agency on behalf of the Department for Education.
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<b>Solicitors</b>	Rawlison Butler LLP Griffin House 135 High Street Crawley West Sussex RH10 1DQ
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<b>Bankers</b>	National Westminster Bank PLC Commercial Banking South London City Link House, 3rd Floor 4 Addiscombe Road Croydon CR0 5TT
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<b>Auditors</b>	Wilkins Kennedy LLP Greytown House 221-227 High Street Orpington Kent BR6 0NZ
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## Trustees' report 31 August 2016

The trustees, who are also the School's nominated governors, present their report together with the financial statements and auditor's report of The BRIT School Limited (the School) for the year ended 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The School operates a City College for the Technology of the Arts (CCTA) for pupils aged 14 to 19 serving a catchment area made up of most of Greater London and some parts of suburban Surrey and Kent. It has a standard pupil number of 1,230 and had a roll of 1,269 in the school census in October 2016.

### **Structure, governance and management**

#### Constitution

The School is a company limited by guarantee (Company No.2369239) and an exempt charity, regulated by the Education Funding Agency (EFA) on behalf of the Department for Education (DfE). The company's Memorandum and Articles of Association and Scheme of Government are the primary governing documents of the School. Nominated Governors act as the Trustees for the charitable activities of the School and are also Directors of the charitable company for the purposes of company law. Co-opted Governors are neither Trustees nor Directors. Details of the Governors who served throughout the period, except as noted, are included in the Reference and Administrative Details on page 1.

The School was incorporated on 6 April 1989 and has been a CCTA since its incorporation.

#### Members

Members of the company are nominated by either the Secretary of State for Education or BPI (British Recorded Music Industry) Limited (the BPI), the main sponsors of the School. Each member 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 £1, for the debts and liabilities contracted before he/she ceases to be a member.

#### Governors, including method of recruitment and induction/training

The Articles of Association of the Company provide that the number of Governors shall be not less than 4, and is currently restricted to a maximum of 25. Governors who are Primary or Ordinary Members of the Company will be known as Nominated Governors; Nominated Governors are directors of the company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation. They may, by simple majority vote, appoint any member of the Company to join the Board of Governors. The Members of the Company shall also by ordinary resolution appoint to the Board of Governors not fewer than 4 persons who are not members of the Company. These will be known as Co-opted Governors and shall include: (i) Individuals from the local community who are committed to the good government of the School; and (ii) Individuals representing the interests of teachers and staff and of parents of students at the school. Nominated Governors must out-number Co-opted Governors. The number of Governors who are parents of students at the School shall not exceed 3 or one fifth of the total number of Governors, whichever shall be the lesser.

Governors are subject to retirement by rotation but are eligible for re-election at the meeting at which they retire. At each Annual General Meeting of the company, one

third of the governors retire by rotation. The governors to retire are those who have been longest in office since their last election or appointment.

Staff governors (Co-opted) may serve for one term of three years, and may not stand for re-election. The term of office of parent governors (Co-opted) is two years in order that their terms of office do not extend beyond their child's time at the School.

The Governance Committee assesses the skills to be sought in recruiting new governors; a skills audit has been undertaken during the year in question. Vacancies in the Governing Body are filled to address any skills gap disclosed by the periodic skills audit.

New Governors are introduced to the School and to their role as a Governor by visiting the School to meet the Principal and Company Secretary. They are offered suitable external training. In addition, they are given the following documents to read: the prospectus, the School's Memorandum & Articles of Association and Scheme of Government, the Funding Agreement with the DfE, the School Improvement Plan, the budget for the current year, the latest Annual Report and Financial Statements, the latest management accounts and a Charity Commission/SGOSS publication for school governors. As new governors join the governing body irregularly, with comparatively few in most years, induction is undertaken informally and is tailored specifically to the individual.

#### Connected Organisations including Related Party Relationships

The School receives annual donations from its sponsor, the British Record Industry Trust (the BRIT Trust). Five of the BRIT Trust's trustees were also Governors of the School at some point in the year. In accepting this donation, the School has not breached any of the requirements of the EFA's Academies Financial Handbook, which apply to the School despite its status as a CCTA. The sponsor and the wider industry also offer substantial support in kind, for which the School is very grateful.

#### Organisational Structure

The structure of the Senior Leadership Team (SLT) changed somewhat during 2015/16 because the Deputy Principal resigned with effect from 31 October 2015 to take a promotion; one of the Assistant Principals served as Interim Deputy Principal until 1 June 2016, after which the reconstituted SLT consisted of the Principal, one Senior Assistant Principal, three Assistant Principals and the Director of Finance. All areas of the School are directly overseen by a member of the SLT. The wider management team is involved in decision making through regular meetings with their line manager, Learning Leadership Group meetings for curriculum leaders and tutor meetings.

The Principal is the School's accounting officer; as such he is responsible for satisfying himself that the School has appropriate policies and procedures in place to ensure that the School's resources are properly controlled and applied. The board of governors has delegated day to day responsibility for financial matters to the Director of Finance, subject to the operation of a formal scheme of delegation and oversight by the Principal and the finance and audit committee. The annual budget is reviewed by the finance and audit committee, which recommends its approval by the board of governors.

The board of governors has delegated authority over the engagement and dismissal of staff (except for the Director of Finance) to the Principal, except that the Principal must consult with the Chair of Governors before dismissing a member of staff. The SLT as a body is responsible for the identification of staffing needs and the appointment of staff,

## Trustees' report 31 August 2016

with a member of SLT sitting on the appointment board for all permanent staff. Responsibility for personnel processes and procedures rests with the Director of Finance, while overall responsibility for pastoral and disciplinary issues remains with the Principal. Appointment boards for management posts include a governor.

### Arrangements for setting pay and remuneration of key management personnel

The key management personnel comprise SLT and the Trustees of the School. As disclosed in Note 8, no Trustee receives any remuneration from the School except the reclaim of reasonable expenses; Staff Governors are not trustees of the School, and so do not properly fall under this section, but the Trustees confirm that their salaries are calculated in the usual way, based on their position on the relevant pay scale plus (in the case of teaching staff) any Teaching and Learning Responsibility payment relevant to any responsibility they might hold.

The Principal's salary was set on appointment by the Board of Governors on the advice of the Personnel Committee. Although the School is a standalone institution, its position as one of the most high-profile schools in the country, linked to one of the most high-profile and image-aware industries, puts particular pressures on the School's Principal: they need not only to be an accomplished educator, but also highly knowledgeable across the arts, politically aware and adept at communicating to a wide range of audiences. Consequently, the starting salary was benchmarked against the Principals and CEOs of other complex educational institutions, such as small multi-academy trusts and further education colleges. A pay scale was established on appointment, with progress dependent upon the achievement of appraisal objectives, as identified by the Principal's Performance Management Committee; this annual review is overseen by the Personnel Committee and approved by the full Board of Governors.

The salaries of the other members of SLT (including the Director of Finance) are set on the Leadership Scale, based on a reasonable differential from the Principal, bearing in mind that the particular pressures of the School apply to all of SLT to some extent. On appointment these salaries were benchmarked against similar roles then being advertised; progress up the Leadership Scale is dependent upon the achievement of appraisal objectives, as identified by the Principal; this annual review is overseen by the Personnel Committee and approved by the full Board of Governors.

### Subsidiary Companies

The School owns 100% of the issued ordinary share capital of BRIT School Productions Limited, a company incorporated in England and Wales (Company No. 2846847). In the year to 31 August 2016, the subsidiary made a profit of £5,540. Further details are given in note 11 to the financial statements.

### **Objectives and activities**

#### Objects, aims and objectives

The principal object and activity of the charitable company is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on and developing The BRIT School to provide education for pupils of different academic abilities between the ages of 14 and 19 with a strong emphasis on the performing, creative and digital arts and related technology.

In accordance with the Articles of Association, the company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the

School, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum with an emphasis on the performing arts and their technologies. The catchment area is most of Greater London and parts of Surrey and Kent. Special consideration may be given to admitting students of particular merit from outside the catchment area, but these must total no more than 10% of the total intake.

The predominant activity of the charitable company is the operation of The BRIT School to provide education for pupils across the spectrum of academic abilities between the ages of 14 and 19 with an emphasis on the performing, creative and digital arts and related technology. The main objectives of the School are summarised below:

- ◆ to raise the standard of educational achievement of all pupils;
- ◆ to ensure that every student enjoys the same high quality education in terms of resourcing, tuition and care;
- ◆ to improve the effectiveness of the School by keeping the curriculum and organisational structure under continual review;
- ◆ to provide value for money for the funds expended;
- ◆ to comply with all appropriate statutory and curriculum requirements;
- ◆ to maintain close links with industry and commerce;
- ◆ to conduct our business in accordance with the highest standards of integrity, probity and openness.

#### Equal opportunity policy

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

#### Disabled persons

The School receives applications from many young people with special educational and physical needs. The School applies the over-riding criterion concerning aptitude for the chosen art form in deciding whether to admit these candidates. However, the School tries hard to ensure that these applicants are given the best opportunity to show what they can do. For those with a statement of special need or Education and Health Care Plan (EHCP), a member of the Additional Educational Needs (AEN) team is present during the admissions process. The AEN client list during 2015/16 numbered 117 students (there is no relevant comparison to 2014/15 because of the changes in recording AEN, including the removal of School Action), 18 (2014/15: 22) with statements of special educational need or EHCP, with conditions supported including dyslexia, ADHD, autism and hearing impairment.

The policy of the School is to support the employment of disabled persons both in the recruitment and by retention of employees who become disabled whilst in the employment of the School, as well as generally through training and career development.



## Trustees' report 31 August 2016

### Public benefit

The Governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on Public Benefit when reviewing the charity's aim and objectives and in planning future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

Students are selected based upon their aptitude and interest in the performing, creative or digital arts, taking no account of academic ability.

### **Strategic Report**

#### **Achievements and performance**

The BRIT School's mission is vocational. It seeks to select applicants who demonstrate the intention and aptitude to make a career in the performing, creative or digital arts. In order to equip its students for a life in the creative professions, the School seeks to:

- ◆ choose qualifications which will develop both practical and academic skills, including those relating to wider knowledge of the creative industries (eg copyright);
- ◆ ensure that students are aware of the range of careers available within the arts;
- ◆ maintain a high level of personal experience of working in the creative industries within the staff;
- ◆ maintain technical facilities at a level which will enable industry-relevant skills to be taught; and
- ◆ maintain links with the creative industries, both through its sponsor, the BRIT Trust, and elsewhere, in order to keep abreast of developments.

#### Key performance indicators (KPIs)

KPI	Actual	Benchmark
Recurrent surplus/ (deficit) for the year £'000 (vs budget)	(399)	(388)
Unrestricted funds and restricted general funds £'000 (vs minimum)	536	250
Applications to join the School (in 2016 for 2017 vs in 2015 for 2016)	2,350	2,369
Students on roll at start of year (vs target)	1,223	1,265
D*D*D* at BTEC Extended Level 3 Diploma (vs 2015)	51%	47%
D*DD or higher at BTEC Extended Level 3 Diploma (vs 2015)	76%	77%
D*D* at BTEC Level 2 Diploma	41%	40%
GCSE 5 grades at A*- C inc English & maths	56%	68%

#### Examination results

The examination results for 2016 generally continued the impressive record of 2002 – 2015, although the high level of GCSE results in 2015 were not repeated in 2016.

The School's principal qualification at post-16 is the BTEC Extended Level 3 Diploma, which is treated as the equivalent of 3 A Levels; 51% of candidates achieved three starred Distinctions D\*D\*D\* (equivalent to 3 A\*s at A Level) (2015: 47%) and 76% (2015: 77%) achieved D\*DD or better. At A-Level, there was a 98% pass rate (2015: 100%) and 78% of grades were A\*-C (2015: 84%).

At GCSE, 56% of students achieved 5 or more grades A\*-C including English and mathematics (2015: 68%; 2014: 57%). Results for the Key Stage 4 vocational qualification, the Level 2 BTEC diploma, were strong, with 41% (2015: 40%) achieving two starred distinctions.

### Community

The School has continued its impressive programme of community outreach work, despite financial restrictions. We continued our free show for primary school children; although we have had to bring them in house instead of at the Ashcroft Theatre as formerly, we had a total audience of about 1,500. In addition, there were many outreach projects into local organisations such as primary and special schools and a hospice. The School's community classes continue to prosper, with about 450 students enrolled for the BRIT Kids Saturday classes; new Computer Club classes have been successfully established and a Music Technology class has been added.

### **Going concern**

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

### **Financial review**

#### Financial report for the year

Most of the School's income is obtained from the Education Funding Agency (EFA) in the form of General Annual Grant (GAG), the use of which is restricted to particular purposes. The grants received during 2015/16 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The School also receives grants for fixed assets from the EFA. Such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

The School's financial results for the year are summarised in the statement of financial activities on page 23 and its financial position at 31 August 2016 is shown in the balance sheet on page 25.

As a result of the Government's policy decision to reduce the funding of school 6<sup>th</sup> Forms to the same level as that given to Further Education Colleges, the School's GAG declined in the year, leading to a reduction in funding per student of about 5.7% compared to 2014/15 and 17.5% since 2011/12. The reduction in funding per student has continued into 2016/17, with a further 1.4% reduction (19.6% since 2011/12). These reductions take no account of increased prices and costs, which further reduce the buying power of our grant by another 15%. As a result, the School has reviewed its operations and its curriculum offer for 2015/16 onwards in order to be able to afford to operate at the new lower level of funding. The main changes arising from the review are:

- a reduction in the number of courses offered at post-16 in addition to the 3-A Level-equivalent BTEC;
- the standardisation of taught hours for the BTEC at 15 per week plus one hour's tutor time; and
- a reduction in taught hours at Key Stage 4 from 28 per week to 26 per week, requiring some rationalisation of options.

In addition, the School has embarked on a fundraising campaign, and is starting to review its facilities and intellectual property with a view to developing new sources of income.

## Trustees' report 31 August 2016

Because of the reduction in funding per student, the governors decided to budget for a deficit on recurrent items of £388,000 for 2015/16. This budgeted deficit was achieved except for an unrecoverable debt of £10,379, details of which can be found in Note 5 to the Accounts. The recurrent deficit of £399,000 can be reconciled to the deficit of £1,611,000 disclosed by the statement of financial activities as follows:

	£'000
Deficit on budgeted activities	(399)
<b>Less:</b> BRIT Trust support taken from reserves, not income	(23)
<b>Less:</b> FRS102 adjustments through the I&E account (see note 20)	(248)
Deficit on operating activities – recurrent reserves	(670)
Depreciation (fully funded by reserves)	(970)
Capital grants received from the Education Funding Agency	29
	<u>(1,611)</u>

The British Record Industry Trust has again been very generous to the School and has committed to donate £400,000 to the School in each of calendar years 2015 and 2016. The final receipt of £100,000 in respect of 2015 and the first receipt of £100,000 in respect of 2016 were received in the year to 31 August 2016, and a further £200,000 was received in September 2016, and so is not reflected in these accounts. Of the £200,000 received in the year, £44,000 was to support the cost of overseas school trips for students from families with low or moderate incomes; these donations are treated as being held on trust by the School and therefore appear neither as income nor expenditure in these accounts. The remaining £156,000 was added to the £847,000 brought forward in the *Private sector general fund – BRIT Trust*. These funds may be used for either recurrent or capital items, but the School needs the Trust's specific approval of the projects on which it wishes to apply these funds. In the year, £180,000 was allocated to the support of the School's performance programme and £271,000 financed capital purchases, leaving a balance of £553,000 of which £389,000 is committed to future expenditure, including £62,000 of capital commitments at the year end. The reserve represented by unspent Trust donations is shown as being a restricted general fund; the funds are deemed to be restricted because they cannot be spent without the Trust's written approval. The School remains very grateful to the Trust for its continued support, both financially and in other ways.

The Andrew Lloyd Webber Foundation has given a substantial and generous donation of £64,725 to support the activities of The Bridge Year 14 theatre company; they have confirmed that they will continue to support The Bridge company for 2016/17. The Cameron Macintosh Foundation also gave a bursary of £2,000 for a student leaving The BRIT School to assist in their paying fees for a vocational college.

The School has started a fundraising appeal, covering both revenue and capital items, named the BRIT Silver Appeal after the School's 25<sup>th</sup> anniversary year in 2016/17. £119,000 was received in respect of this appeal (including gift aid reclaimable) within the year and a further £332,000 had been pledged for future receipt as at 31 August 2016; the pledged funds will be recognized in the year in which they are received. The School is grateful to the many people who have supported the School by giving to the appeal.

### Financial and Risk Management Objectives and Policies

## Trustees' report 31 August 2016

The financial risks to which the School is exposed relate primarily to:

- Changes in government and legislation
- Reduced funding
- The need to maintain student numbers

A risk arises in relation to the London Borough of Croydon Pension Scheme because there is a deficit on an FRS 102 basis of £4,354,000, an increase of £1,864,000 compared to 2014/15 (see Note 20 to the financial statements). This is entirely due to a substantial reduction (from 3.7% to 2.0%) in the discount rate; this rate is used to set the value of future liabilities in today's terms, and is not a reflection of investment returns, which were strong this year. The governors are keeping the operations of the London Borough of Croydon Pension Fund under close review, but they are well aware that the majority of the liabilities in the fund will not crystallise for many years and that an FRS 102 valuation produces a different (and generally higher) deficit figure than an actuarial valuation. An actuarial valuation as at 31 March 2013 showed that the School's part of the deficit on the fund amounted to £631,000 at that date (2010: £300,000). Employer's contribution rates to the fund have been set to pay off the deficit over 24 years; they were 17.9% (previously 12.3%) plus £35,000 pa (previously £8,000 pa) in respect of prior service losses throughout the year. The next actuarial valuation will be as at 31 March 2016. The governors' current view is that the benefits of the scheme still out-weigh its cost.

### Principal risks and uncertainties

The principal risks and uncertainties that the School faces are mitigated by the risk management process that it has in place.

### Risk management

The Governors have assessed the major risks to which the School is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the School and its finances. The Governors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. The Governors have introduced systems, including operational procedures and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The School has an effective system of internal financial controls and this is explained in more detail in the Governance Statement on page 14.

As outlined on page 8 above, the School's real income has reduced sharply since 2011/12 and is expected to continue to reduce in real terms in the coming years. As a result, the Governors have ensured that the School has reviewed its operations and curriculum offer to ensure that it remains affordable. The School has started a fundraising campaign and is reviewing sources of earned income based on the School's facilities and intellectual property.

The School is concerned that changes in educational policy could adversely affect the School by emphasising academic subjects at Key Stage 4 to the detriment of artistic subjects and vocational education. As a result, it is difficult for the School to allocate enough time in the timetable to do justice to the current wide range of academic subjects covered by the new Progress 8 measure as well as maintaining enough time for the School's artistic specialism. The School is also concerned that fewer young people will be able to access creative subjects prior to the age at which they could apply

to join the School, meaning that the number and development of young people who would benefit from our curriculum and eventually contribute to the UK's creative economy will be eroded. The School has contributed to the consultations on the EBacc and Progress 8 and is looking to join with University Technology Colleges to lobby for the importance of vocational education. The School attempts to engage with policy makers of all political backgrounds so that it can continue to influence the debate.

Many more young people apply to the School than can be accommodated, so our selection procedures need to be both fair and seen to be fair in order to reduce the reputational and legal risks of a serious admissions dispute. The School's Admissions and Admission Appeals Policies had not been reviewed in a number of years; although the School, as a CCTA, is not bound by the national Admissions and Appeals Codes, the Governors felt that it would be safer to follow them unless to do so would run counter to the School's special mission. Consequently, the School's Policies were reviewed against the Codes; where they diverged, either the School's Policies were adjusted to abide by the Code (these were generally changes of emphasis more than changes of substance) or the Governors confirmed that in their opinion divergence from the Codes was justified and necessary to ensure that the School could fulfil its mission.

#### Reserves policy

The governors have considered the desirable range of reserves which the School should hold.

The day-to-day operations of the School are financed by the unrestricted and the restricted general fund arising from General Annual Grant (GAG); the Private Sector General Fund is not available to be allocated against general expenditure but must be spent as approved by the British Record Industry Trust from time to time, so are excluded from the consideration of the level of reserves required to support day-to-day operations. The great majority of the income for these funds is in the form of grants from the EFA and should therefore be easily predictable, so a relatively moderate level of resources is generally required to cover financial risks. Consequently, the governors have previously decided that the combined balances on the unrestricted and restricted general funds, after deducting amounts earmarked for a specific future use, should be between 3% and 5% of the total income budgeted to be received into these funds in the forthcoming financial year. However, in light of the risks concerning grant income discussed above, the levels on these funds have been held as high as possible in order to support an orderly restructuring of the School's activities and cost base as required in the light of continuing funding reforms. Deficit budgets were set for 2013/14 to 2016/17, and are expected for 2017/18. Financial projections to 2019/20 had indicated that general reserves would not fall below £250,000 (in line with the reserves policy) and that the School would return to a modest surplus in 2018/19. However, current conditions are very challenging, and achievement of these goals is dependent upon achieving ambitious targets for fundraising and earned revenue. External factors such as increased pension contributions or an unexpected increase in inflation also put this target at risk. Governors remain of the view that future projected unrestricted and restricted general funds should not fall below 3% of income, in line with the established policy.

Unrestricted funds and restricted general funds (excluding the pension reserve and the Private Sector General Fund as discussed above) at 31 August 2016 totalled £536,000. This represented 6.7% of budgeted recurrent income for 2016/17. The balance on the Private Sector General Fund is £553,000; the BRIT Trust has indicated that approval will be given only to the funding of specific special projects or classes of expenditure. Plans for this money include the replacement of a small modular building.

## Trustees' report 31 August 2016

The restricted fixed assets fund is made up of two constituent parts. Financing fixed assets acquired (£18,299,000) represents money and gifts in kind received and already expended on fixed assets. All depreciation is charged to this fund. All fixed asset purchases are fully funded in this way and therefore this amount is always equal to the total net book value of fixed assets. Restricted fixed assets (available for future use) (£78,000) is accumulated to finance or help finance capital projects. The governors consider that the balance should not fall below £100,000 in order that small and medium sized projects can be undertaken promptly. The balance has dropped below this level due to a number of pressing small/medium projects, so these will be limited until this reserve can be rebuilt. Above this level, funds can be accumulated over a period to finance large projects, so the governors do not consider that there is any appropriate maximum balance. Instead, the governors will report on the level of reserves and their planned use in the Annual Report.

### Investment policy

Under the Memorandum and Articles of Association, the School has the power to invest funds not immediately required for its own purposes, in any way the Governors see fit. The organisation has a positive cash balance to cover eventualities and unforeseen expenses. The banking facilities are reviewed on a regular basis. Governors have resolved that market risk will be avoided by placing surplus monies only in investments which guarantee a return of the amount invested (ie deposits of one kind or another). It has been further resolved, in order to manage credit risk, that no more than £1 million should be placed with any one institution, except that more may be placed with the Royal Bank of Scotland group, as it is over 80% owned by the British government.

### Going concern

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

### **Plans for future periods**

Current examination results are acceptable given the mixed-ability intake and the undervaluing of the Level 2 BTEC in league tables. The results at A-Level and some GCSEs indicate that some of these areas needed to be focussed on; this has been done to good effect in many areas, and this focus will continue in the coming year. Results for the BTEC diplomas were excellent, and Governors believe that the School should target to maintain these levels.

The reducing level of the School's grant income has required a review of the School's costs and curriculum offer. The effects on student satisfaction, recruitment and retention will be reviewed over the coming year.

### **Auditor**

The auditors, Wilkins Kennedy LLP, are willing to continue in office and a resolution to appoint them will be proposed at the Annual General Meeting.

Insofar as the governors are aware:

**Trustees' report 31 August 2016**

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

Approved by order of the board of trustees on 6 December 2016 and signed on its behalf by:

PAUL BURGER

Paul Burger  
Chair of Governors

## Governance statement 31 August 2016

### Scope of Responsibility

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

The board of governors has delegated the day-to-day responsibility to the principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The BRIT School and the Secretary of State for Education. He is also responsible for reporting to the board of governors any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of governors has formally met four times during the year. Attendance during the year at meetings of the board of governors was as follows:

<b>Governor</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Paul Burger (Chair of Governors)	4	4
Theresa Baker	3	4
Victoria Bostock	4	4
David Carter	3	4
Sarah Castle	3	3
Madelaine Cooper	2	2
Maggie Crowe OBE	4	4
John Deacon CBE	3	4
Jane Fairbourn	0	2
Angela Ferreira	2	2
Martin Locket	2	2
Prof Sally Mackey	2	4
Dej Mahoney	4	4
Bridget McKenzie	4	4
Sylvia McNamara	4	4
Jonathan Morrish	4	4
Simon Presswell	1	4
Joanna Scott	0	1
Maggie Semple OBE	1	4
Jeff Simpson	2	2
Geoff Taylor	0	4
Horace Trubridge	1	4
Tony Wadsworth CBE	4	4
Peter Wylie	4	4
Andrew Yeates	4	4

The Governing Body undertook a skills audit during 2014/15, which is updated as new Governors join; the results are taken into account in appointments to the Governing Body.

The Finance and audit committee is a sub-committee of the main board of governors. Its purpose is to: oversee the School's financial policies, consider future funding and expenditure proposals in the context of the budget and (if required) review proposals or requirements for additional expenditure, and ensure that income and resources are managed effectively for the benefit of the students and further development of the School. The assurance work undertaken by our auditors is reported to the chair of this committee. Attendance at meetings in the year was as follows:



## Governance statement 31 August 2016

### Governance (continued)

Member of the Committee	Meetings attended	Out of a possible
David Carter FCA (Chair)	4	4
Theresa Baker	4	4
Paul Burger	2	4
Sarah Castle	2	2
Martin Locket	2	2
Simon Presswell	0	3
Jo Scott	0	1
Andrew Yeates	3	4

### Review of Value for Money

As accounting officer the Principal has responsibility for ensuring that the School delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the School has delivered improved value for money during the year by:

#### Improving educational results

- The School's excellent educational results are detailed on page 7.
- The School has invested in educational improvement in the following ways:
  - ◆ by regularly reviewing the progress of students (including that of sub-groups) using the specialised tracking programme installed in 2013/14;
  - ◆ by keeping the Senior Leadership Team at its increased in size of six members, so that lines of responsibility for certain areas of the School remain clear;
  - ◆ by upgrading the senior post concentrating on student experience to the level of Assistant Principal; and
  - ◆ by substantially changing the School's ICT planning and support arrangements, reviewing the required skill sets and bringing in appropriate staff.

#### Financial governance and oversight

The Finance and Audit Committee (on which the Accounting Officer sits) meets four times a year. It exercises its oversight in the following ways:

- By reviewing up-to-date management accounts at each meeting;
- By reviewing the annual budget closely before recommending approval;
- The Personnel Committee reviews changes to staffing levels implied in the annual budgets to ensure that the reasons for staffing changes are properly thought through and supported;
- By appointing the external auditors to undertake a programme of internal audit work, reporting to the Chair of the committee

## **Governance statement 31 August 2016**

- By reviewing and approving the results of tenders as set down in the Scheme of Delegation;
- By periodically reviewing the School's accounting systems and controls;
- By ensuring that a suitably qualified and experienced Director of Finance is appointed and that s/he has the appropriate status and influence in the School's management.

### Purchasing

- High value contracts are retendered every 3 to 5 years
- The Scheme of Delegation requires five sealed tenders for purchases above £50,000 and a minimum of three quotes for purchases above £10,000. The Finance Manager reviews purchases requisitions above £2,000 to ensure that best value has been sought.
- Central purchasing agencies (CPC, Kent County Supplies) are used where appropriate.

### Income generation

The School has commenced a large-scale fundraising appeal and engaged a fundraising consultant and administrator in order to run an effective and professional campaign. In order to build on the start made, a Director of Development, supported by the BRIT Trust, has been appointed with effect from November 2016; the consultant will cease to advise the School at this point.

The School seeks sponsorship opportunities to support its activities. In addition to the British Record Industry Trust's kind continuing support a successful sponsorship application was made to the Andrew Lloyd Webber Foundation. Income from the hire of facilities has been limited by the School's own intensive use, but a working group has started to look at the commercial exploitation of the School's intellectual property and facilities.

### Maximising the use of facilities and resources for the benefit of society

- The School runs Saturday community classes as a social enterprise; they generate £219,000 of activity a year with over 400 participants on roll;
- Community work in local primary and special schools, hospices, community centres etc is built into the curriculum of Year 12 students throughout Term 5; the School is a national leader in this work, and has presented to both national and international conferences on this subject.

### Reviewing controls and managing risks

- Monthly budget monitoring reports are reviewed by the Director of Finance and any necessary remedial action is taken.
- Medium term financial forecasts are prepared at least annually in light of evolving information on changes to the school funding methods, and contingency plans are developed to protect the School's financial position.

### **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 on-going process designed to identify and prioritise the risks to the achievement of

## **Governance statement 31 August 2016**

School 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 the School for the year to 31 August 2016 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The board of governors has reviewed the key risks to which the School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of governors is of the view that there is a formal on-going process for identifying, evaluating and managing the School's significant risks that has been in place for the year to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is overseen by the finance and audit committee and is regularly reviewed by the board of governors.

### **The Risk and Control Framework**

The governors appoint and have devolved most of their powers to the officers who attend meetings of the School's Governing Body. In accordance with the requirements of the Academies Financial Handbook, which apply to the School despite its status as a CCTA, the Governors have appointed the Principal as the School's Accounting Officer. The governors meet periodically, as required, and retain direct responsibility for:

- the approval of the School budget each year; and
- the position of the Principal.

The governors have delegated to the officers the responsibility for ensuring that an effective system of internal control, financial and otherwise, is maintained and operated by the School and to provide reasonable assurance that:

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

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the governing body;
- regular reviews by the finance & audit committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing guidelines;
- delegation of authority, detailed in a written Scheme of Delegation;
- segregation of duties;
- identification and management of risks.

The governors have been assured that the major risks to which the School is exposed have been reviewed and systems have been established to mitigate those risks.

In addition, the governors have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although it is not

## Governance statement 31 August 2016

mandatory for the School, it should, as a publicly funded body, adopt these guidelines as best practice. Accordingly they have:

- Set policies on internal controls which cover the following:
  - ◆ consideration of the type of risks the School faces;
  - ◆ the level of risks which they regard as acceptable;
  - ◆ the likelihood of the risks materialising;
  - ◆ the School's ability to reduce the incidence and impact on the business of risks that do materialise and the costs of operating particular controls relative to the benefit obtained.
- Clarified the responsibility of management to implement the governors' policies and to identify and evaluate risks for their consideration.
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- Embedded the control system in the School's operations so that it becomes part of the culture of the School.
- Developed systems to respond quickly to evolving risks arising from factors within the School and to changes in the external environment.
- Included procedures for reporting failings immediately to appropriate levels of management and the governors together with details of corrective action undertaken.

The governors have considered the need for a specific internal audit function and have decided not to appoint an internal auditor, but have instead appointed Wilkins Kennedy LLP to conduct a quarterly assurance review. They report to the chair of the finance and audit committee, which in turn reports to the Governing Body. The role is carried out by a separate team at Wilkins Kennedy LLP with no connection to the audit team; this is to ensure the reviews are carried out independently. No material control issues arose as a result of this work.

These arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period.

### Review of Effectiveness

As accounting officer the principal 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 work of the executive managers within the School who have responsibility for the development and maintenance of the internal control framework;
- the advice and questioning of the finance and audit committee.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the director of finance and the finance and audit committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of Governors on 6 December 2016 and signed on its behalf by:

PAUL BURGER

Paul Burger  
Chair of Governors

STUART WORDEN

Stuart Worden  
Accounting Officer

## **Statement on Regularity, Propriety and Compliance 31 August 2016**

As accounting officer of The BRIT School Limited I have considered my responsibility to notify the School board of governors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the School and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015, which apply to the School despite its status as a CCTA.

I confirm that I and the School board of governors are able to identify any material irregular or improper use of funds by the School, or material non-compliance with the terms and conditions of funding under the School'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 Governors and the EFA.

STUART WORDEN

Stuart Worden  
Accounting Officer

## Statement of Trustees' Responsibilities 31 August 2016

The trustees (who act as governors of The BRIT School Limited and are also the directors of the charitable company for the purposes of company law) are responsible for preparing 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 in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016, which apply to the School despite its status as a CCTA;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards [FRS 102] have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 board of governors on 6 December 2016 and signed on its behalf by:

PAUL BURGER

Paul Burger  
Chair of Trustees

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE BRIT SCHOOL LIMITED** 31 August 2016

We have audited the accounts of The BRIT School Limited for the year ended 31 August 2016 set out on pages 23 to 45. The financial reporting framework that has been applied in their preparation is applicable law and 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', the Charities SORP 2015 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 opinions we have formed.

**Respective responsibilities of Governors and auditors**

As explained more fully in the Governors' Responsibilities Statement set out on page 20, the Governors, who are also the directors of The BRIT School Limited for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 accounts**

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Governors' Report including the incorporated strategic report to identify material inconsistencies with the audited accounts 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 accounts**

In our opinion the accounts:

- 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;

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE BRIT SCHOOL LIMITED** 31 August 2016

- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' Report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts.

**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 accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

WILKINS KENNEDY LLP

**Michelle Wilkes (Senior Statutory Auditor)**

for and on behalf of Wilkins Kennedy LLP

Chartered Accountants

Statutory Auditor

Greytown House

221-227 High Street

Orpington

Kent

BR6 0NZ

Dated: 12/12/16



**Statement of financial activities** Year to 31 August 2016  
including Income & expenditure account and Statement of total recognised gains & losses

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	<b>Total 2016</b> <b>£'000</b>	Total 2015 £'000
<b>Income and endowments from:</b>						
Donations and capital grants	2	-	360	-	<b>360</b>	439
Charitable activities:						
. Funding for the School's educational operations	4	248	8,007	29	<b>8,284</b>	8,600
Other trading activities		3	-	-	<b>3</b>	1
Investments	3	10	-	-	<b>10</b>	21
<b>Total incoming resources</b>		<u>261</u>	<u>8,367</u>	<u>29</u>	<u><b>8,657</b></u>	<u>9,061</u>
<b>Expenditure on:</b>						
Raising funds		-	152	1	<b>153</b>	65
Charitable activities:						
. School's educational operations		192	8,955	969	<b>10,115</b>	10,482
<b>Total resources expended</b>	5	<u>192</u>	<u>9,106</u>	<u>970</u>	<u><b>10,268</b></u>	<u>10,547</u>
<b>Net income / (expenditure)</b>		69	(739)	(941)	<b>(1,611)</b>	(1,486)
Transfers between funds	14	(384)	113	271	-	-
<b>Other recognised gains/(losses)</b>						
Actuarial (loss)/gain on defined benefit pension scheme	20		(1,616)		(1,616)	(41)
<b>Net movement in funds</b>		<u>(315)</u>	<u>(2,242)</u>	<u>(670)</u>	<u><b>(3,227)</b></u>	<u>(1,527)</u>
<b>Reconciliation of funds</b>						
Total funds brought forward		<u>848</u>	<u>(1,552)</u>	<u>19,044</u>	<u><b>18,340</b></u>	<u>19,867</u>
<b>Total funds carried forward</b>		<u>533</u>	<u>(3,794)</u>	<u>18,374</u>	<u><b>15,113</b></u>	<u>18,340</u>

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

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

**Statement of financial activities** Year to 31 August 2016  
including Income & expenditure account and Statement of total recognised gains & losses

Comparative year information for the year ended 31 August 2015

	Notes	Unrestricted fund £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	Total 2015 £'000
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
. Voluntary income	2	1	438	-	<b>439</b>
. Activities for generating funds		1	-	-	<b>1</b>
. Investment income	3	18	1	2	<b>21</b>
<i>Incoming resources from charitable activities</i>					
. Funding for the CCTA's educational operations	4	275	8,297	28	<b>8,600</b>
<b>Total incoming resources</b>		<b>295</b>	<b>8,736</b>	<b>30</b>	<b>9,061</b>
<b>Resources expended</b>					
<i>Cost of generating funds</i>					
. Costs of generating voluntary income		-	64	1	<b>65</b>
<i>Charitable activities</i>					
. CCTA's educational operations		238	8,922	1,322	<b>10,482</b>
<b>Total resources expended</b>	5	<b>238</b>	<b>8,986</b>	<b>1,323</b>	<b>10,547</b>
<b>Net incoming/(outgoing) resources before transfers</b>					
		57	(250)	(1,293)	<b>(1,486)</b>
Transfers between funds	14	-	(39)	39	-
<b>Other recognised gains and losses</b>					
Actuarial (loss)/gain on defined benefit pension scheme	20	-	(41)	-	<b>(41)</b>
<b>Net movement in funds</b>		<b>57</b>	<b>(330)</b>	<b>(1,254)</b>	<b>(1,527)</b>
<b>Balances brought forward at 1 September 2014</b>		<b>791</b>	<b>(1,223)</b>	<b>20,299</b>	<b>19,867</b>
<b>Balances carried forward at 31 August 2015</b>		<b>848</b>	<b>(1,553)</b>	<b>19,045</b>	<b>18,340</b>

## Balance sheet 31 August 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>Fixed assets</b>					
Tangible assets	10		<b>18,299</b>		18,913
<b>Current assets</b>					
Stock		<b>8</b>		8	
Debtors	12	<b>467</b>		360	
Cash at bank and in hand		<b>1,239</b>		2,311	
		<b>1,714</b>		2,679	
<b>Creditors: amounts falling due within one year</b>	13	<b>(546)</b>		(762)	
<b>Net current assets</b>			<b>1,168</b>		1,917
<b>Net assets excluding pension liability</b>			<b>19,467</b>		20,830
Defined benefit pension scheme liability	20		<b>(4,354)</b>		(2,490)
<b>Total net assets</b>			<b>15,113</b>		18,340
<b>Funds of the School</b>					
Restricted fixed asset fund (Financing)			<b>18,299</b>		18,913
Restricted fixed asset fund (Available)			<b>78</b>		132
	14		<b>18,377</b>		19,045
Restricted income fund		<b>557</b>		937	
Pension Reserve		<b>(4,354)</b>		(2,490)	
			<b>(3,797)</b>		(1,553)
Total restricted funds	14		<b>14,580</b>		17,492
Unrestricted income funds			<b>533</b>		848
<b>Total funds</b>	15		<b>15,113</b>		18,340

The financial statements on pages 23 to 45 were approved by the trustees, and authorised for issue on 6 December 2016 and are signed on their behalf by:

Paul Burger  
Chair of Governors

The BRIT School Limited  
Company Registration Number 2369239 (England and Wales)

## Cash Flow Statement 31 August 2016

	Note	2016 £'000	2015 £'000
Net cash outflow from operating activities	A	(755)	(167)
Returns on investments and servicing of finance	B	10	5
Capital expenditure	C	(327)	(46)
<b>Decrease in cash</b>	<b>D</b>	<b>(1,072)</b>	<b>(208)</b>

### Notes to the cash flow statement for the year to 31 August 2016:

#### A Reconciliation of Net Income to Net Cash Inflow from Operating Activities

Net (deficit)/income	(1,611)	(1,486)
Depreciation (note 10)	970	1,323
Capital grants from DfE and other capital income	(29)	(28)
Interest receivable (note 3)	(10)	(5)
FRS 17 pension cost less contributions payable (note 20)	153	149
FRS 17 pension finance income (note 20)	95	72
Decrease/(increase) in stocks	0	1
(Increase)/decrease in debtors	(107)	(49)
(Decrease) in creditors	(216)	(144)
	<b>(755)</b>	<b>(167)</b>

#### B Returns on Investments and Servicing of Finance

Interest received	10	5
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>10</b>	<b>5</b>

#### C Capital Expenditure and Financial Investment

Purchase of tangible fixed assets	(356)	(74)
Capital grants from DfE/EFA	29	28
Capital funding received from sponsors and others	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(327)</b>	<b>(46)</b>

#### D Analysis of changes in net funds

	At 1 September 2015 £'000	Cash flows £'000	At 31 August 2016 £'000
Cash at bank and in hand	2,311	(1,072)	1,239
	2,311	(1,072)	1,239

**Basis of preparation - First time adoption of FRS 102**

The accounts of the School, 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.

The Brit School Limited meets the definition of a public benefit entity under FRS 102.

These accounts for the year ended 31 August 2016 are the first accounts of The Brit School Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note A below.

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

	<b>1 September 2014 £000</b>	<b>31 August 2015 £000</b>
<b>Reconciliation of total funds</b>		
Total funds under previous UK GAAP and under FRS 102	19,867	18,340
		<b>31 August 2015 £000</b>
<b>Reconciliation of net income/(expenditure)</b>	<b>Notes</b>	
Net income/(expenditure) previously reported under UK GAAP		(1,414)
Change in recognition of LGPS interest cost	A	(72)
Net movement in funds reported under FRS 102		(1,486)

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net

defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to expense by £72,000 and increase the debit in other recognised gains and losses in the SoFA by an equivalent amount.

**Going concern**

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

**Income and agency arrangements**

All incoming resources are recognised when the School has entitlement to the funds, the receipt is probable and the amount can be measured reliably. except for:

- £73,304 of 16 – 19 Bursary Grant received from the EFA. The School acts as an agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs; any such allocation is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 22.

and

- £43,440 received from the BRIT Trust to fund bursaries to current and former students; these are not treated as the School's income because the Trust considers that the School acts as administrator and paying agent only, with the beneficiaries being the recipients of the bursaries.

Other grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not matched to relevant expenditure during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met; £64,725 received from the Andrew Lloyd Webber Foundation to support the Bridge theatre company in the 2116/17 academic year is treated in this way. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

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

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the School has provided the goods or services.

#### **Expenditure**

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

- **Expenditure on Raising Funds**

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

- **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.

#### **Funds**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders 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/donor and include grants from the Education Funding Agency.

#### **Tangible Fixed assets**

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to the restricted fixed assets fund (financing fixed assets acquired) and depreciation is charged to this fund. Where tangible fixed assets have been acquired with unrestricted funds, the funds so used are transferred from unrestricted funds to the restricted fixed asset fund, and depreciation is charged to this fund.

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

◆ Leasehold land	0.8% p.a.
◆ Long leasehold buildings:	
▪ Fabric and substantial building works	2% p.a.
▪ All other refurbishment works *	5% p.a.
◆ Furniture and equipment	20% p.a.
◆ Computer equipment and software	50% p.a.
◆ Technical equipment	33.33% p.a.

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

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

#### **Investments**

The School's shareholding in BRIT School Productions Limited is included in the balance sheet at cost of the share capital owned.



**Leased assets**

Rentals payable under operating leases are charged to the statement of financial activities as incurred.

**Stocks**

Stocks, when significant, are valued at the lower of cost and net realisable value. Insignificant stocks are not valued at the year end.

**Pension costs**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 20, the TPS is a multi-employer scheme and the School is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

**Taxation**

The School is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 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.

**Fund Accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders 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/donor and include grants from the [Education Funding Agency/Department for Education].

**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 School 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.

*Defined benefit pension liabilities*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 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.

*Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary and material to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10

for the carrying amount of the property, plant and equipment, and the table detailing depreciation rates above for the useful economic lives for each class of assets.

*Bad debts*

Debtors are regularly reviewed for recoverability, any debts which in the opinion of management are not recoverable are provided for as a specific bad debt.

There are no other key assumptions concerning the future or other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Consolidation**

The company has not prepared group financial statements because the activities of the subsidiary are not, in the opinion of the Governors, material to the understanding of the company's activities.

## Notes to the financial statements 31 August 2016

### 1 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the School was subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The School has not exceeded these limits during the year ended 31 August 2016.

### 2 Donations and capital grants

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2016 £'000	Total 2015 £'000
BRIT Trust	-	156	156	340
Donations received through the BRIT Silver Appeal	-	119	119	-
Andrew Lloyd Webber Foundation	-	65	65	65
Donations from parents	-	18	18	20
Donation in kind	-	-	-	-
Croydon Relief in Need Charities	-	-	-	11
Other donations	-	2	2	3
	-	360	360	439

### 3 Investment income

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2016 £'000	Total 2015 £'000
Interest receivable	5	-	5	5
Gift aid from BRIT School Productions Limited (note 11)	5	-	5	16
	10	-	10	21

### 4 Funding for the School's educational operations

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2016 £'000	Total 2015 £'000
<b>DfE Annual grant</b>	-	7,089	7,089	7,482
<b>Other DfE grants</b>				
Earmarked Annual grant – rent	-	256	256	222
Pupil Premium	-	128	128	115
Devolved capital grant	-	29	29	28
	-	413	413	365
<b>Other government grants</b>				
LEAs to fund Statements of Special Educational Need	-	127	127	129
Other income from the School's educational operations	248	407	655	624
<b>Total</b>	248	8,036	8,284	8,600

## Notes to the financial statements 31 August 2016

### 5 Total resources expended

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2016 £'000	Total 2015 £'000
Cost of generating funds	91	2	60	153	65
School's educational operations					
• Provision of education	5,059	1,426	864	7,349	7,899
• Support costs	1,721	268	777	2,766	2,583
	<u>6,871</u>	<u>1,696</u>	<u>1,701</u>	<u>10,268</u>	<u>10,547</u>

Net income/(expenditure) for the period includes:

	2015 £'000	2015 £'000
Operating leases: premises	322	290
Depreciation	970	1,323
Fees payable to auditor for:		
- audit	10	10
- other services	2	2

Included within expenditure is the provision for an unrecoverable debt for £10,379. This is in respect of ticket income received on the School's behalf by Fairfield (Croydon) Limited but not paid over before that company went into administration. There is currently no indication as to the level of any dividend, but the statement of affairs indicates that any recovery will be low.

### 6 Charitable activities

	Total 2016 £000	Total 2015 £000
Direct costs – educational operations	7,349	7,899
Support costs – educational operations	2,766	2,583
	<u>10,115</u>	<u>10,482</u>

#### Analysis of support costs (all Educational operations)

Support staff costs	1,721	1,635
Depreciation	165	226
Technology costs	-	-
Premises costs	103	126
Other support costs	710	534
Governance costs	67	61
<b>Total support costs</b>	<u>2,766</u>	<u>2,582</u>

### 7 Staff

#### a. Staff costs

Staff costs during the period were:

## Notes to the financial statements 31 August 2016

	Total 2016 £'000	Total 2015 £'000
Staff costs comprise:		
Wages and salaries	4,980	5,303
Social security costs	443	425
Operating costs of defined benefit pension schemes	961	924
	<b>6,384</b>	6,652
Peripatetic, supply and agency staff costs	411	281
Staff restructuring costs	76	52
	<b>6,871</b>	6,985
Staff restructuring costs comprise:		
Redundancy payments	37	30
Severance payments	27	22
Other restructuring costs	12	-
	<b>76</b>	52

### b. Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £19,495 (2015: £29,641). Individually the payments were: £13,034, £4,786 and £1,675.

### c. Staff numbers

	2016	2015
Average numbers of full time equivalent persons employed by the School during the year were:		
Provision of education	87	96
Support costs	39	40
Management	2	2
	<b>128</b>	138

	2016	2015
Average numbers of persons employed by the School during the year were:		
Provision of education	101	113
Support costs	48	50
Management	2	2
	<b>151</b>	165

### d. Higher paid staff

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

	2016	2015
£60,000 - £70,000	1	2
£70,001 - £80,000	2	1
£80,001 - £90,000	1	1
£100,001 - £110,000	1	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-

**e. Key management personnel**

The key management personnel of the School comprise 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 School was £604,000 (2015: £612,000).

**8. Related Party Transactions – Trustees’ remuneration and expenses**

No trustee received any remuneration in the year. One trustee (2015 – two) received payment from the School amounting to £333 (2015 - £618) in respect of reimbursed expenses relating to travel to meetings.

The School has two staff governors, but they are not directors or trustees of the company/charity. The Principal attends meetings of the Governing Body but is not a governor, director or trustee.

**9 Trustees' and Officers' Insurance**

In accordance with normal commercial practice the School has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on School business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2016 was £955 (2015: £927). The cost of this insurance is included in the total insurance cost.

**10 Tangible fixed assets – Assets in use**

	Long leasehold land and buildings £'000	Furniture and equipment £'000	Computer equipment and software £'000	Technical equipment £'000	Assets in progress £'000	Total £'000
<b>Cost</b>						
At 1 September 2015	25,013	860	1,425	2,762	8	<b>30,068</b>
Additions	-	27	110	21	198	<b>356</b>
At 31 August 2016	<u>25,013</u>	<u>887</u>	<u>1,535</u>	<u>2,783</u>	<u>206</u>	<b><u>30,424</u></b>
<b>Depreciation</b>						
At 1 September 2015	6,782	632	1,291	2,450	-	<b>11,155</b>
Charge for year	510	76	129	255	-	<b>970</b>
At 31 August 2016	<u>7,292</u>	<u>708</u>	<u>1,420</u>	<u>2,705</u>	<u>-</u>	<b><u>12,125</u></b>
<b>Net book values</b>						
At 31 August 2016	<u>17,721</u>	<u>179</u>	<u>115</u>	<u>78</u>	<u>206</u>	<b><u>18,299</u></b>
At 31 August 2015	<u>18,232</u>	<u>228</u>	<u>133</u>	<u>312</u>	<u>8</u>	<b><u>18,913</u></b>

## Notes to the financial statements 31 August 2016

### 11 Investments

	2016	2015
	£	£
Investments in wholly owned subsidiary companies at cost:		
. Brit School Productions Ltd	<b>2</b>	<b>2</b>

The School's wholly owned subsidiary company, BRIT School Productions Limited (Company No. 2846847), was incorporated in England and Wales on 23 August 1993. In the year to 31 August 2016, the subsidiary earned a profit of £5,540 (2015: £15,995). At 31 August 2016, the net assets of the subsidiary amounted to £2, represented by issued share capital of 2 ordinary shares of £1 each. Consolidated financial statements have not been prepared as the Governors are of the opinion that the results of the subsidiary are not material to an understanding of the School's financial statements.

A summary of the results for the year end and the position at the year end of BRIT School Productions Limited is shown below.

	2016	2015
	£	£
Turnover	<b>10,130</b>	31,050
Expenditure	<b>(4,590)</b>	(15,055)
Profit on ordinary activities before Gift Aid	<b>5,540</b>	15,995
Gift Aid	<b>(5,540)</b>	(15,995)
Profit on ordinary activities after Gift Aid	-	-
Retained profit brought forward at 1 September 2014	-	-
Retained profit carried forward at 31 August 2015	-	-
<b>Balance sheet</b>		
Current assets	<b>6,042</b>	16,496
Current liabilities	<b>(6,040)</b>	(16,494)
Net current assets	<b>2</b>	<b>2</b>
Called up share capital	<b>2</b>	<b>2</b>
Profit and loss account	-	-
	<b>2</b>	<b>2</b>

### 12 Debtors

	2016	2015
	£'000	£'000
Trade debtors	<b>124</b>	104
Amounts due from BRIT School Productions Limited	<b>6</b>	16
Sundry debtors	<b>229</b>	111
Prepayments	<b>108</b>	129
	<b>467</b>	360



**13 Creditors: amounts falling due within one year**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Trade creditors	<b>106</b>	95
Sundry creditors	<b>261</b>	336
Accruals and deferred income	<b>179</b>	331
	<b>546</b>	762

**Deferred Income**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Deferred income at 1 September 2015	<b>163</b>	107
Resources deferred in the year	<b>123</b>	163
Amounts released from previous years	<b>(163)</b>	(107)
Deferred income at 31 August 2016	<b>123</b>	163

Deferred income is made up of unused pupil premium grant of £28,000 (2015: £52,000) carried forward into 2015/16, a grant of £65,000 (2015: £65,000) from the Andrew Lloyd Webber Foundation for activity in 2016/17, £11,000 (2015: £30,000) of payments received in 2015/16 for peripatetic music lessons in 2016/17 and contributions totalling £19,000 (2015: £16,000) received before 31 August 2016 from the parents of students who are starting at the School in 2016/17.

**14 Restricted funds**

	Balance at 1 September 2015 £'000	Incoming resources £'000	Expenditure £'000	Gains, Losses and transfers £'000	<b>Balance at 31 August 2016 £'000</b>
<b>General funds</b>					
General Annual Grant (GAG)	84	7,089	(7,557)	384	-
Other DfE grants	-	383	(383)	-	-
Private sector general fund – BRIT Trust	847	157	(180)	(271)	<b>553</b>
Private sector general fund - Other	-	203	(203)	-	-
Other income	-	535	(535)	-	-
NATHDA Fund	4	-	-	-	<b>4</b>
	935	8,367	(8,858)	113	<b>557</b>
Pension reserve	(2,490)	-	(248)	(1,616)	<b>(4,354)</b>
	(1,555)	8,367	(9,106)	(1,503)	<b>(3,797)</b>
<b>Fixed assets funds</b>					
Funding fixed asset purchases	18,913	-	(970)	356	<b>18,299</b>
Available for use: DfE capital grants	39	29	-	(39)	<b>29</b>
Available for use: Other	95	-	-	(46)	<b>49</b>
	19,047	29	(970)	271	<b>18,377</b>
<b>Total restricted funds</b>	<b>17,492</b>	<b>8,396</b>	<b>(10,076)</b>	<b>(1,232)</b>	<b>14,580</b>

Transfers:

- £384,000 is transferred from Unrestricted Funds to *General Annual Grant (GAG)* in respect of Restricted General expenditure which cannot be covered by income in the year or available *General Annual Grant* reserves.

## Notes to the financial statements 31 August 2016

- £271,000 is transferred from *Private sector general fund – BRIT Trust* to *Funding fixed asset purchases* in respect of fixed assets purchased using funds donated by the British Record Industry Trust.
- £39,000 is transferred from *Available for use: DfE capital grants* to *Funding fixed asset purchases* in respect of fixed assets purchased using Formula Capital Grant received in previous years.
- £46,000 is transferred from *Available for use: Other* to *Funding fixed asset purchases* in respect of fixed assets purchased using other capital funds received in previous years.

*Other EFA Grants* consist of an Earmarked Annual Grant to meet the costs of the School's long leasehold of its East Wing (£256,292 - 2015: £221,469) and Pupil Premium of £127,034 including amounts unused from previous years (2015: £89,180).

*Private Sector General Fund - BRIT Trust* may not be spent without the Trust's agreement. The Trust has indicated that approval will be given only to the funding of specific special projects or classes of expenditure. The BRIT Trust allowed the School to apply £180,000 of these funds towards Additional Production Support in 2015/16.

Other income offsets expenditure which would otherwise be financed from GAG, and as such an amount equal to the expenditure has been deducted from the GAG line to be dealt with on this line.

The NATHDA fund represents a donation from Norbury and Thornton Heath Dramatic Association for the support of students undertaking their first independent projects on leaving the School.

For more details concerning the pension reserve, see Note 20.

Restricted fixed assets were funded by government grants and donations. The "Funding fixed asset purchases" line equals the net book value of the School's fixed assets.

### 15 Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted fund £'000	Restricted general funds £'000	Restricted fixed assets funds		Total £'000
			Financing £'000	Available £'000	
Tangible fixed assets	-	-	18,299	-	<b>18,299</b>
Investments	-	-	-	-	-
Current assets	533	1,103	-	78	<b>1,714</b>
Current liabilities	-	(546)	-	-	<b>(546)</b>
Pension scheme liability	-	(4,354)	-	-	<b>(4,354)</b>
	<b>533</b>	<b>(3,797)</b>	<b>18,299</b>	<b>78</b>	<b>15,113</b>

### 16 Capital commitments

The School had capital commitments of £62,000 at 31 August 2016 (2015 - £29,000).

**17 Lease commitments**

Operating leases

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

	Land and buildings	
	2016	2015
	£'000	£
Amounts due within one year	322	322
Amounts due between one and five years	1,288	1,288
Amounts due after five years	30,912	31,234
	<b>32,522</b>	<b>32,844</b>

The leases referred to above run until 2117, with the option on either side to break the lease, with the approval of the Secretary of State for Education, on 29 September 2036 and every five years thereafter. Rent increases are every five years in line with the Retail Price Index.

**18 Contingent liabilities**

In the event, during the period of the Funding Agreement, of the sale or disposal by other means, of any asset for which a capital grant was received, the School shall if it does not re-invest the proceeds, repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the School serving notice, the School shall repay to the Secretary of State sums determined by reference to:

- a) the value at that time of the School's site and premises and other assets held for the purpose of the School; and
- b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

**19 Members' Liability**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £1 for the debts and liabilities contracted before he/she ceases to be a member.

**20 Pension Commitments**

The School's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the London Borough of Croydon Pension Fund, a constituent member of the Local Government Pension Scheme (LGPS), for non-teaching staff. Both are multi-employer defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

### Teachers' Pension Scheme (TPS)

#### *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. Under the School's Scheme of Government, membership is automatic for teachers in the School, although they are able to opt out.

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

#### *Valuation of the Teachers' Pension Scheme*

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

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

During the year the employer contribution rate was 16.48%; this will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £784,000 (2015: £784,000).

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

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

**London Borough of Croydon Pension Fund**

The London Borough of Croydon Pension Fund, a constituent fund of the LGPS, is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £416,905 (2015: £414,555), of which employer's contributions totalled £311,973 (2015: £309,406) and employees' contributions totalled £104,932 (2015: £105,149). The agreed contribution rates for future years are 17.9% for employers and between 5.5% and 12.5% for employees, depending on the level of their pensionable pay.

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

The most recent actuarial valuation of the Scheme was as at 31 March 2013. The School's assets and liabilities are kept separate from other employers'; the valuation disclosed a deficit of £631,000, which is to be recouped over 22 years with current additional payments of £38,000 a year (in total, not per member).

*Principal actuarial assumptions*

	<b>2016</b> % <b>per annum</b>	2015 % per annum
Rate of increase in salaries	<b>3.10</b>	3.50
Rate of increase in pension payments	<b>2.10</b>	2.60
Discount rate	<b>2.00</b>	3.70
Inflation assumption: CPI	<b>2.10</b>	2.60
Commutation of pensions to lump sums:		
• For pre-April 2008 service	<b>50</b>	50
• For post-April 2008 service	<b>75</b>	75

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

	<b>2016</b> <b>years</b>	2015 years
Longevity at age 65 for current pensioners		
. Men	<b>22.3</b>	22.3
. Women	<b>24.4</b>	24.4
Longevity at age 65 for future pensioners		
. Men	<b>24.4</b>	24.4
. Women	<b>26.7</b>	26.7

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

## Notes to the financial statements 31 August 2016

Change in assumptions at year ended 31 August 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£)
0.5% decrease in Real Discount Rate	12%	1,268
1 year increase in member life expectancy	3%	306
0.5% increase in the Salary Increase Rate	4%	366
0.5% increase in the Pension Increase Rate	9%	868

The assets in the School's share of the scheme (estimated at 0.58% of the overall scheme) and the expected rates of return were:

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities	4,083	2,845
Bonds	1,225	993
Property	525	632
Cash	-	45
<b>Total market value of assets</b>	<b>5,833</b>	<b>4,515</b>

The actual return on scheme assets was £1,017,000 (2015: £136,000).

Amounts recognised in the statement of financial activities	2016 £'000	2015 £'000
Current service cost (net of employee contributions)	(144)	(137)
Past service cost	(9)	-
Net interest cost	(95)	(84)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	-
<b>Total operating charge</b>	<b>(248)</b>	<b>(221)</b>

Changes in the present value of defined benefit obligations were as follows:

	2016 £'000	2015 £'000
<b>Deficit at 1 September 2015</b>	<b>7,005</b>	<b>6,210</b>
Current service cost	441	489
Interest cost	268	239
Employee contributions	98	120
Actuarial (gain)/loss	2,460	21
Benefits paid	(94)	(74)
Plan introductions, benefit changes, curtailments and settlements	9	-
<b>Deficit at 31 August 2016</b>	<b>10,187</b>	<b>7,005</b>

## Notes to the financial statements 31 August 2016

Changes in the fair value of School's share of scheme assets:

	2016 £'000	2015 £'000
<b>At 1 September 2015</b>	<b>4,515</b>	<b>3,982</b>
Interest income	173	155
Return on plan assets (excluding net interest on the net defined pension liability)	844	(20)
Actuarial gain/(loss)	-	-
Employer contributions	297	352
Employee contributions	98	120
Benefits paid	(94)	(74)
Plan introductions, benefit changes, curtailments and settlements	-	-
<b>At 31 August 2016</b>	<b>5,833</b>	<b>4,515</b>

The estimated value of employer contributions for the year ended 31 August 2016 is £309,000.

### 21 Related Party Transactions

The School received £157,000 from its sponsor, the British Record Industry Trust (the BRIT Trust). Five of the BRIT Trust's trustees were also Governors of the School at some point of the year. In accepting this donation, the School has not breached any of the requirements of the EFA's Academies Financial Handbook, which apply to the School despite its status as a School.

### 22 Agency Arrangements

The School distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust both received and disbursed £73,304 from the fund. There are no undistributed funds repayable to EFA.

In accordance with the terms of our engagement letter 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 The BRIT School Limited during the period 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 The BRIT School Limited and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The BRIT School Limited and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The BRIT School Limited and EFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of The BRIT School Limited's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The BRIT School Limited's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 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 EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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



**Independent Reporting Auditor's Assurance Report on Regularity to The BRIT School Limited and the Education Funding Agency 31 August 2016**

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion as well as additional testing based on our assessment of risk of material irregularity.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Reporting Accountant**

Wilkins Kennedy LLP

Dated: 12/12/16