

**HEART ACADEMIES TRUST**  
**(A COMPANY LIMITED BY GUARANTEE)**

**TRUSTEES' REPORT AND AUDITED ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**



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# HEART ACADEMIES TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Trustees

Mr H Patel (RO) (Chairman) <sup>1,2</sup>  
Mr M Weeden <sup>1</sup>  
Mrs S Clark <sup>3</sup>  
Mr D Wilson <sup>1</sup>  
Mr S McLellan <sup>1</sup>  
Mr L Spencer <sup>2</sup>  
Miss H Mather <sup>2,3</sup>  
Mrs J Webster (Appointed 14 December 2017) <sup>3</sup>  
Mrs D Rostron (Appointed 28 June 2018) <sup>1</sup>  
  
Mrs V Green (Resigned 28 September 2018) <sup>1,2</sup>  
Miss D Parton (Resigned 13 September 2018) <sup>3</sup>  
Dr. K Hudson-Glynn (Resigned 13 September 2018) <sup>3</sup>

<sup>1</sup> member of the Finance and Resources Committee

<sup>2</sup> member of the Audit Committee

<sup>3</sup> member of the Education Committee

### Members

Mr. M Stewart  
Mr. R Wilkinson  
Mr. D Webster  
Mr Hanif Patel

### Core Central Team

Chief Executive Officer  
Chief Finance Officer  
Director of Operations  
Senior Academy Improvement Advisor

Mrs C Smith  
Mr P Edmond  
Mrs L Archer  
Miss E Orr

### Company registration number

06969741 (England and Wales)

### Registered office

Mile Road  
Bedford  
Bedfordshire MK42 9TR

### Independent auditor

Baxter & Co  
Lynwood House  
Crofton Road  
Orpington  
Kent BR6 8QE

### Bankers

Co-Operative Bank PLC  
City Office Branch  
80 Cornhill  
London EC3V 3NJ

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

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The Trustees present their annual report together with the accounts and independent auditor's report of the charitable company for the year ended 31 August 2018. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charitable company's Memorandum and Articles of Association, the Companies Act 2006, the Statement of Recommended Practice 2015, "Accounting and Reporting by Charities", and the Academies' Accounts Direction 2017/18 issued by the ESFA.

#### Structure, governance and management

##### Constitution

The Academy Trust is a company limited by guarantee incorporated on 22 July 2009. The predecessor school converted to academy status becoming the Bedford Academy on 01 September 2010. On 01 April 2017, the company changed its name to Heart Academies Trust and adopted new articles of association to allow it to operate as a Multi Academy Trust (MAT). On 01 June 2017, Cauldwell School, Shortstown Primary School and Shackleton Primary School all joined the MAT alongside The Bedford Academy. The charitable company's memorandum and articles of association are its primary governing documents.

For the first nine months of the previous financial year, the Trust operated a single academy, The Bedford Academy. The Trust operated all four academies for the final three months of that year.

The Trustees, who are also the directors for the purpose of company law, and who served during the year are set out in the Reference and Administrative Details section on page 1.

The Trust had a total pupil capacity of 2,730 and had a total roll of 2,380 in the school census on 18 May 2018 across its four schools.

School	Total Roll (May 2018)	Pupil Capacity
The Bedford Academy	1,180	1,440
Cauldwell	410	420
Shackleton	438	480
Shortstown	352	390
<b>Total</b>	<b>2,380</b>	<b>2,730</b>

##### Members' liability

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

##### Trustees' Indemnities

No indemnities or guarantees have been provided to third parties by the charitable company in respect of any of its Trustees.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Method of recruitment and appointment or election of trustees

In accordance with the articles of association, the Trustees of the charitable company are appointed as follows:

- Up to 10 Trustees appointed by the Members
- Up to 6 Trustees appointed by the Sponsor
- A minimum of 2 Parent Trustees appointed by Members if no provision is made for at least 2 Parent Local Governors on established Local Governing Bodies.
- Providing the Chief Executive Officer agrees so to act, the Members may appoint the Chief Executive Officer as a trustee.
- The Trustees may appoint co-opted Trustees. The Trustees may not co-opt an employee of the Academy Trust as a Co-opted Trustee if thereby the numbers of Trustees who are employees of the Academy would exceed one third of the total number of Trustees including the Chief Executive Officer to the extent he or she is a Trustee.

Trustees (other than the Sponsors and the Principal) serve for four years and are eligible for re-election.

#### Policies and procedures adopted for the induction and training of Trustees

The training and induction provided for new Trustees will depend on their existing experience. Where necessary, induction will provide training in charity, educational, legal and financial matters. All Trustees are provided with the information needed (including the Trustees Handbook, policies, minutes, budgets) to undertake their role as Trustees.

#### Organisational structure

The Board of Trustees, the majority of whom are non-executive, comprises those persons appointed under the Articles of Association. The Board meets at least three times a year and has a number of sub committees;

- Finance & Resources Committee
- Audit Committee
- Education Committee
- Local Governing Bodies for each of the schools within the Trust

Each committee is formally constituted with terms of reference and comprises appropriately qualified and experienced members.

Trustees delegate specific responsibilities to its committees, the activities of which are reported to and discussed at full Trustee board meetings.

Day to day management of the company is undertaken by the Chief Executive Officer, supported by the Core Central Team.

The Chief Executive Officer is the Accounting Officer and the Chief Finance Officer is the Principal Finance Officer.

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

The Core Central Team is the key management personnel of the Trust. Trustees are also senior management although they receive no pay or other remuneration in respect of their role as Trustees. Where Staff Trustees were in place, they received remuneration for their role as staff and their pay was determined in the same way as applicable to all other staff. Further details of remuneration paid to staffs who were Trustees is set out within the notes to the accounts.

The pay of the Chief Executive Officer is set annually by the Chair of Trustees and approved by the Board of Trustees, having regards to performance against objectives set the previous year. Pay of other Core Central Team members is also set by Trustees again having regard to performance against previously agreed objectives and any recommendations made by the Chief Executive Officer.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

#### Trade Union Facility Time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations. The information to be published is set out below.

A "relevant union official" means a trade union official; a learning representative of a trade union within the meaning of the 1992 Act; or a safety representative appointed under regulations made under the Health and Safety at Work Act 1974. "Facility time" means time off taken by a relevant union official that is permitted by the institution, in order to:

- carry out trade union duties, the duties of a union learning representative or activities in relation to which an employee is acting as a representative of the union;
- accompany a worker to a disciplinary or grievance hearing; or
- carry out duties and receive training under the Safety Representatives and Safety Committees Regulations 1977.

#### Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
3	3

#### Percentage of time spent on facility time

Percentage of time	Number of Employees
0%	2
1% - 50%	1
51% - 99%	0
100%	0

#### Percentage of pay bill spent on facility time

Total Cost of facility time (£'000)	£5
Total Pay bill (£'000)	£11,679
Percentage of the total pay bill spent on facility time	0%

#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours.	0%
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#### Related Parties and other Connected Charities and Organisations

The Harpur Trust is a related party by virtue of being a sponsor and ability to appoint Trustees. Transactions with related parties are detailed in the relevant note to the accounts.

#### Objectives and activities

##### Objects and aims

The principal object of the charitable company is the advancement of education in the United Kingdom. It achieves this object principally through the operation of HEART Academies Trust, the aim being to provide the highest possible standard of education and pastoral care, maximising the life-chances of the students at all four academies operated by the Trust.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Objectives, strategies and activities

The main objectives during the year were:

- To continue to develop the ethos and vision for HEART Academies Trust.
- To continue to develop the working relationships with the three primary schools who have joined the Trust - Cauldwell Lower School, Shackleton Primary School and Shortstown Primary School.
- To continue work establishing an effective Core Central Team for the Trust.
- To develop a school improvement offer to enable positive impact on outcomes for students in 2018/2019.

#### Public benefit

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

#### **Strategic Report**

##### **Achievements and performance**

#### Achievements in the year

On 1 June 2017, the Trust grew successfully to incorporate three primary schools: Cauldwell, Shackleton and Shortstown, as well as Bedford Academy. During the 2017/18, academic year work started for all schools to be recognised as part of a wider single entity.

In the 2016/17 academic year, the Trust began work to establish a Central Team to support all schools with Finance, HR, ICT and Premises. In 2017/18 this was extended to include Catering. The Trust has confirmed movement of the Trust Central services to offices off-site and expects to move into these in December 2018. The Trust has continued to undertake significant IT development and facilities work in a phased approach. In addition to this the Trust is looking at development work on the schools sites to make best use of the buildings and look to develop further revenue streams from the caretaker's bungalow on the Bedford Academy site.

#### Students' Achievement

The Trust's primary focus is to improve outcomes for children year on year.

##### *Secondary*

Bedford Academy achieved a positive set of results with preparations for the continued introduction of new specifications at Key Stage 4 and 5 being thorough in consideration. Students at Key Stage 5 were all able to access their next steps based on qualifications obtained and lessons were learnt in some subject areas where results were not as high as hoped. Vocational qualifications at Key Stage 5 continue to be strong and practice from these areas is regularly shared with other subjects. At the time of this report the school confirmed a positive progress 8 score of +0.36 and was happy with the 15% increase in the 9-5% for English and Maths. The school was also happy with the work that continues to close the gap for pupil premium students to their peers, a gap of 0.33 in 2017 and 0.07 in 2018.

##### *Primary*

The Trust saw a slight overall improvement in Key Stage 2 results in the combined score of reading, writing and maths moving from 42% to 46% in 2018, but these remained below National. Each primary school's performance varied significantly but overall there was a positive move forward in results for Shackleton and Shortstown. Cauldwell's results remain fairly stable at Key Stage 2 and closest to national averages. Further work for all schools in relation to improving Key Stage 2 and 1 results is ongoing.

All 3 primary schools saw an improvement in the number of students achieving Good Level of Development (GLD) in Early Years, with Shortstown slightly exceeding the National Average. The Trust also saw a positive move forward in the Year 1 phonics results with an average of 77% against the national average of 83%.

#### *School Improvement*

The Trust has secured a valuable school improvement offer that makes use of internal capacity in schools, the Trust's newly established School Improvement Team and partnerships with external agencies.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Key financial performance indicators

The Trustees approved a budget incorporating the following key financial performance indicator:-

Payroll costs as a percentage of total revenue should not exceed 81%. The actual equivalent payroll cost percentage for the year was 81% and within budget.

The net deficit for the year of £50K (before capital income and expenditure, depreciation or the defined benefit pension adjustments) varied from the equivalent forecast outturn surplus of £75K by £125k. This was mainly the result of higher than anticipated investment in Shackleton Primary School, unbudgeted maintenance works in a number of schools within the Trust and the write-off of old Bedford Academy uniform stock. Shackleton joined the Trust on 01 June 2017 and following a detailed review, Trustees decided a more significant investment plan was required to raise standards at the school. This work commenced in 2017 and continued throughout the course of the academic year.

In addition to day-to-day revenue expenditure the Trust also invested £333k in capital additions over the course of 2017/18. This included £270k upgrading the ICT network and equipment throughout the Trust, £28k on new server rooms and £13k of new kitchen equipment.

#### Going concern

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

#### **Financial review**

The Trust holds funds in two broad categories, funds that are available for spending and other funds that are not available for spending.

Spendable funds are in turn sub-categorised between those that are available for spending at the discretion of Trustees ('Unrestricted Funds') and funds that are subject to condition or restriction ('Restricted Funds').

#### ***Funds not available for spending***

Funds not available for spending include the book value of fixed assets such as land, buildings and equipment. These have a value and are therefore included as assets in the accounts but clearly the value cannot be spent. In common with all academies and Local Authorities, the Trusts share of the Local Government Pension Scheme deficit must also be reflected in its accounts but as this is not a conventional liability, it does not need to be deducted from spendable funds. The Trust meets its obligations in respect of the LGPS by paying over pension contributions due as calculated by the scheme's actuaries.

#### ***Spendable Funds***

The Trust receives its income from a number of sources. The majority of income comes from central government via the Education and Skills Funding Agency (ESFA) who provide grant funding, based largely on student numbers, to cover staffing and other general running costs. This is commonly referred to as the General Annual Grant (GAG). The ESFA also provides additional grants that are earmarked for specific purposes (such as Pupil Premium which must be used to raise the attainment of disadvantaged pupils). These grants appear in the accounts as DfES/ESFA grants.

The Trust also receives grant funding from the Local Authority where it undertakes responsibilities on behalf of the Local Authority in respect of its students. This funding appears in the accounts as 'Other government grants'.

Other income may also be received from parents (for example as contributions to trip or other costs) or from third parties (for example income generated the Trusts bank account or from organisations who are charged for their use of the Trusts facilities).

Income received from the ESFA and the Local Authority is collectively categorised as 'Restricted Funds' on the basis that such funds have conditions attached in how they are spent and reported. Other income from third-parties may be categorised as restricted or unrestricted; the category depends on whether the funds come to the Trust with conditions attached or whether they are available for spending at the discretion of Trustees.

**HEART ACADEMIES TRUST**  
**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

The following balances held were held at 31 August;

<i>Fund</i>	<i>Category</i>	<b>2018 £'000</b>	<b>2017 £'000</b>
GAG	<i>Restricted General Funds</i>	2,139	2,344
Other DfE/ESFA/LA Grants	<i>Restricted General Funds</i>	0	154
	<b>Sub-total General Restricted Funds</b>	<b>2,139</b>	<b>2,498</b>
Unspent Capital Grants	<i>Restricted Fixed Asset Fund</i>	0	28
Other Income	<i>Unrestricted General Fund</i>	935	861
	<b>Sub-Total Spendable Funds</b>	<b>3,074</b>	<b>3,387</b>
Endowment	<i>Restricted Endowment Fund</i>	1,250	1,250
Net Book Value of Fixed Assets	<i>Restricted Fixed Asset Fund</i>	40,037	40,732
Share of LGPS Deficit	<i>Restricted Pension Reserve</i>	(3,833)	(4,127)
	<b>Total All Funds</b>	<b>40,528</b>	<b>41,242</b>
		<b>=====</b>	<b>=====</b>

During the year under review, there was a (deficit)/surplus of £(99k) (2017 : £106k) on general restricted funds, a surplus/(deficit) of £74k (2017 : £606k) on unrestricted funds and after LGPS valuation adjustments, depreciation and capital income and expenditure, an overall (deficit)/surplus of £(1,632k) (2017 : £37,138k).

Reserves policy

The principal policy on reserves is that accumulation of unspent GAG balances should not breach any limits thereon set out in the Funding agreement. The level of reserves should never be in deficit.

Each year the Trustees review the resource requirements and grant and other income that is forecast for the coming year and an annual budget is formulated and approved.

Investment policy

There are no investments held beyond cash deposits retained with the major UK clearing banks. Speculative investments are not permitted.

Principal risks and uncertainties

The Trustees have assessed the major risks to which the Trust is exposed, in particular those relating to academic performance, finances and child welfare. The Trustees have implemented a range of systems to assess risks that the Trust faces, and have developed policies and procedures to mitigate those risks. Where significant financial risk remains Trustees have ensured they have adequate insurance cover. The Trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The principal financial risk faced by the company is that on-going pressure on funding results in a risk that deficits may be experienced. The budgeting and reporting process, including scrutiny by the Trustees of actual financial performance, mitigates the risk.

As the nature of the financial instruments dealt with by the company is relatively simple (bank balances, debtors and "trade" creditors), Trustees consider the associated risk in this area to be minimal.

# **HEART ACADEMIES TRUST**

## **TRUSTEES' REPORT**

### ***FOR THE YEAR ENDED 31 AUGUST 2018***

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The risk resulting from the company's share of the LGPS deficit is managed by following the advice of the scheme's actuaries, specifically as regards the level of contributions payable, ensuring that annual budgets are drawn up to reflect the actuary's advice.

#### **Our fundraising practices**

The Trustees are committed to ensuring that fundraising activities are carried out in a responsible and ethical manner. Any fundraising undertaken by the Trust must be done in a manner that seeks to ensure that it is not intrusive or persistent.

Individual academies organise fundraising events and appeals on behalf of the Trust, some of which will be supported by a Parent-Teacher Association. The individual Academy will oversee and co-ordinate the activities of our supporters both within the academy and in the wider community.

Fundraising events and appeals may include one or more of the following:

- Letters to parents noting a voluntary contribution to a trip or event would be welcome.
- Events organised by staff, students or the school Parent-Teacher Association.
- Student-led events with the objective of raising funds for charity.
- Engagement with corporate partners for sponsorship.

Contact is made through letters to parents, email, academy newsletters, the Trust websites and via students. Contact may be direct or via a Parent-Teacher Association. The Trust does not use professional fundraisers or involve commercial participators.

There have been no complaints about fundraising activity this year.

The Trust complies with the Fundraising Regulator's Code of Fundraising Practice and UK law.

#### **Plans for the future**

The Strategic Plan for 2017 – 2020 has been outlined by Trustees. The Trust's aim is to achieve a year-on-year improvements in student outcomes.

Trustees have established three key priorities:

Priority 1 - Exceptional Leaders

Priority 2 - Exceptional Learning Communities

Priority 3 - Sustainable and commercial budget through value driven, strategic financial planning.

#### **Funds held as custodian trustee**

No funds are held on behalf of others.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

***FOR THE YEAR ENDED 31 AUGUST 2018***

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### **Auditor**

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees 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.

Trustees' report, incorporating a strategic report, approved by order of the Board of Trustees, as the company directors, on 06 December 2018 and signed on the Board's behalf by:



.....  
Mr H Patel  
Chair of Trustees

# HEART ACADEMIES TRUST

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2018**

### Scope of responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that Heart Academies Trust 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 Trustees delegated the day-to-day responsibility to the Chief Executive Officer as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Heart Academies Trust and the Secretary of State for Education. The accounting officer is also responsible for reporting to the Board of Trustees 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 Trustees has formally met 3 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Appointed	Resigned	Full Trust Board	
			Meetings attended	Out of a possible
Mr H Patel			3	3
Mr M Weeden			2	3
Mrs S Clark			3	3
Mr D Wilson			3	3
Mr S McLellan			2	3
Mr L Spencer			1	3
Miss H Mather			2	3
Mrs V Green		28/09/2018	2	3
Mrs J Webster	14/12/2018		1	3
Mrs D Rostron	28/06/2018		1	1
Miss D Parton		13/09/2018	1	3
Dr K Hudson-Glynn		13/09/2018	2	3
<b>Total</b>			<b>23</b>	<b>34</b>

The Finance and Operations Committee is a sub-committee of the main board of Trustees. Its purpose is to assist and support the Governing Board, ensuring sound oversight is exercised over the management of the Academy's finances and resources. Attendance at meetings of the Finance and Operations Committee during the year was as follows:

Trustee	Appointed	Resigned	Finance and Operations	
			Meetings attended	Out of a possible
Mr H Patel			1	3
Mr M Weeden			3	3
Mr D Wilson			2	3
Mr S McLellan			2	3
Mrs V Green		28/09/2018	1	3
Mrs D Rostron	28/06/2018		0	0
<b>Total</b>			<b>9</b>	<b>15</b>

# HEART ACADEMIES TRUST

## GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 31 AUGUST 2018

In addition to the Finance and Operations Committee the Trust created a separate Audit Committee. Its purpose is to assist and support the Governing Board, ensuring sound control environment exists at the Trust and risk and recognised and managed effectively. Attendance at meetings of the Audit Committee during the year was as follows:

Trustee	Appointed	Resigned	Audit Committee	
			Meetings attended	Out of a possible
Mr H Patel			2	3
Mr L Spencer			2	3
Miss H Mather			2	3
Mrs V Green		28/09/2018	3	3
Total			9	12

#### Governance reviews:

The Academy Trust annually reviews the roles and responsibilities of Trustees, assigning Trustees as 'links' to key development areas. This enables Trustees to effectively monitor the development of the Academy. In addition, the Trust is undergoing a membership review including succession planning.

The Trust did not undertake an external governance review this year but will be undertaking a formal external review during the course of this next academic year.

#### Review of Value for Money

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

The Accounting Officer considers how the Trust's use of its resources provides good value for money over the course of each academic year, and regularly reports to the Board of Trustees where value-for-money could be improved. A key element to achieve this objective is the setting of the Trusts annual budget, which includes reference to external benchmarking data where available. Annual budgets are based on curriculum staffing plans and detailed department plans which are reviewed and challenged to ensure they meet the needs of each Academy and its students. The curriculum plan and department plans are driven by the overall Academy Development Plan.

Monthly management reports are prepared by the Finance Office and are reviewed by the Chief Finance Officer and the Finance & Operations Committee at their termly meetings. Trustees monitor the reserves levels in order to ensure that they are sufficient to support the development plans for the Academy Trust.

Budget holders have delegated responsibility for ensuring value-for-money within their area of responsibility and are held to account for planning and managing their budgets. Monthly financial reports are provided to budget holders to facilitate this.

In addition to robust budgeting and financial reporting:

- All services and contracts are appraised or renegotiated in a timely manner to ensure the best mix of quality and cost effectiveness.
- Major purchases and contracts are always tendered. Purchases in excess of £10,000 must be supported with a detailed business case and by 3 quotes; purchases in excess of £25,000 require a formal tender process.
- All orders are reviewed by the Trust Finance department to ensure spend is within agreed limits to approved suppliers and that volume discounts or purchasing agreement contracts are utilised where available.
- Longer-term agreements (greater than 1 year) are only entered into where it is felt that such an agreement would benefit the Trust (e.g. insurance).

# **HEART ACADEMIES TRUST**

## **GOVERNANCE STATEMENT**

### **FOR THE YEAR ENDED 31 AUGUST 2018**

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The Academy Trust generates income from letting out the school premises especially the sports facilities.

The Responsible Officer provides independent reports to the Finance & Resources committee and is supported in this work by the external auditors Baxter & Co.

#### **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 academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Heart Academies Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

#### **The risk and control framework**

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the Trustees appointed Hanif Patel as Responsible Officer. The Responsible Officer's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. These checks are carried out by Baxter & Co and reports on findings are submitted direct to the Responsible Officer. On a termly basis the Responsible Officer reports to the board of Trustees on the operation of the systems of control and on the discharge of the board of Trustees' financial responsibilities. Checks carried out included:

- Testing of payroll systems.
- Testing of purchases system.
- Testing of control account and bank reconciliations.
- Testing the systems for reporting pupil numbers.
- Testing of compliance with some of the key regularity and transparency requirements within the ESFA's Academies Financial Handbook.
- Testing of non-grant income.

## HEART ACADEMIES TRUST

### GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2018**

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The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a regular basis, the RO reports to the Board of Trustees on the operation of the systems of control and on the discharge of the financial responsibilities of the Board of Trustees. Trustees were satisfied that the RO has delivered their schedule of work as planned. No material control weaknesses were noted from the programme of checking work.

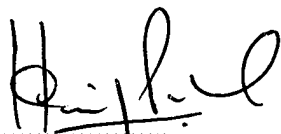
#### **Review of effectiveness**

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

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

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

Approved by order of the members of the Board of Trustees on 06 December 2018 and signed on its behalf by:



Mr H Patel  
Chair of Trustees



Miss E Orr  
Accounting Officer

# HEART ACADEMIES TRUST

## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

***FOR THE YEAR ENDED 31 AUGUST 2018***

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As accounting officer of HEART Academies Trust I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Academy Trust's Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2017.

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



Miss E Orr  
**Accounting Officer**

06 December 2018

# HEART ACADEMIES TRUST

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

**FOR THE YEAR ENDED 31 AUGUST 2018**

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The trustees (who are also the directors of HEART Academies Trust 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 & Skills 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:

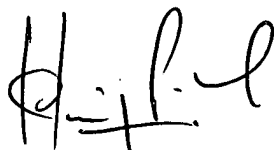
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the 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 that grants received from ESFA/DfES 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 Trustees on 06 December 2018 and signed on its behalf by:



Mr H Patel  
Chair of Trustees

# HEART ACADEMIES TRUST

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART ACADEMIES TRUST

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Opinion

We have audited the Financial Statements of HEART Academies Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the Financial Statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 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;
- 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 2017 to 2018.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the Financial Statements' section of our report. We are independent of the Academy Trust in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Trustees have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Academy Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# HEART ACADEMIES TRUST

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART ACADEMIES TRUST (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report including the incorporated strategic report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report, including the incorporated strategic report.

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

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

### **Responsibilities of Trustees**

As explained more fully in the statement of Trustees' responsibilities, the Trustees are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Trustees are responsible for assessing the Academy Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# **HEART ACADEMIES TRUST**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART ACADEMIES TRUST (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Use of our report**

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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**David John Walsh FCCA (Senior Statutory Auditor)**

**For and on behalf of Baxter & Co**

**Statutory Auditor**

**Chartered Certified Accountants**

Lynwood House

Crofton Road

Orpington

Kent

BR6 8QE

Dated: 11 December 2018

# HEART ACADEMIES TRUST

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEART ACADEMIES TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

**FOR THE YEAR ENDED 31 AUGUST 2018**

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In accordance with the terms of our engagement letter dated 1 November 2012 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by HEART Academies Trust during the period 1 September 2017 to 31 August 2018 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 HEART Academies Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the HEART Academies Trust and ESFA 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 HEART Academies Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of HEART Academies Trust's accounting officer and the reporting accountant**

The Accounting Officer is responsible, under the requirements of HEART Academies Trust's funding agreement with the Secretary of State for Education dated 15 January 2010 and the Academies Financial Handbook, extant from 1 September 2017, 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 2017 to 2018. 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 2017 to 31 August 2018 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 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Review of payments to staff;
- Review of payments to suppliers and other third parties;
- Review of grant and other income streams;
- Review of some key financial control procedures;
- Discussions with finance staff;
- Consideration of the record maintained by the Accounting Officer of the oversight they have exercised;
- Consideration of the programme of risk review and checking of financial controls implemented by the trust in order to comply with its obligations under 2.4.9 of the Academies Financial Handbook 2017, issued by the ESFA.

# **HEART ACADEMIES TRUST**

## **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEART ACADEMIES TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

***FOR THE YEAR ENDED 31 AUGUST 2018***

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### **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 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Baxter & Co**  
**Independent Reporting Accountants**  
**Chartered Certified Accountants**  
Lynwood House  
Crofton Road  
Orpington  
Kent  
BR6 8QE

Dated: 11 December 2018

# HEART ACADEMIES TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total 2018 £'000	Total 2017 £'000
<b>Income and endowments from:</b>							
Donations and capital grants	3	35	2	51	-	88	21,446
Donations - transfer from local authority on conversion		-	-	-	-	-	16,763
Charitable activities:							
- Funding for educational operations	4	502	13,331	-	-	13,833	10,159
Other trading activities	5	251	-	-	-	251	220
Investments	6	15	-	-	-	15	16
<b>Total</b>		<b>803</b>	<b>13,333</b>	<b>51</b>	<b>-</b>	<b>14,187</b>	<b>48,604</b>
<b>Expenditure on:</b>							
Raising funds	7	38	12	-	-	50	118
Charitable activities:							
- Educational operations	9	691	14,069	1,034	-	15,794	10,636
<b>Total</b>	<b>7</b>	<b>729</b>	<b>14,081</b>	<b>1,034</b>	<b>-</b>	<b>15,844</b>	<b>10,754</b>
<b>Net income/(expenditure)</b>		<b>74</b>	<b>(748)</b>	<b>(983)</b>	<b>-</b>	<b>(1,657)</b>	<b>37,850</b>
Transfers between funds	19	-	(260)	260	-	-	-
<b>Other recognised gains/(losses)</b>							
Actuarial gains on defined benefit pension schemes	21	-	943	-	-	943	468
<b>Net movement in funds</b>		<b>74</b>	<b>(65)</b>	<b>(723)</b>	<b>-</b>	<b>(714)</b>	<b>38,318</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		861	(1,629)	40,760	1,250	41,242	2,924
Total funds carried forward		935	(1,694)	40,037	1,250	40,528	41,242

# HEART ACADEMIES TRUST

## STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

### SUPPLEMENTARY NOTE: COMPARATIVE INFORMATION FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total 2017 £'000
<b>Income and endowments from:</b>						
Donations and capital grants	3	9	7	21,430	-	21,446
Donations - transfer from local authority on conversion		495	(2,768)	19,036	-	16,763
Charitable activities:						
- Funding for educational operations	4	454	9,705	-	-	10,159
Other trading activities	5	220	-	-	-	220
Investments	6	16	-	-	-	16
<b>Total</b>		<u>1,194</u>	<u>6,944</u>	<u>40,466</u>	<u>-</u>	<u>48,604</u>
<b>Expenditure on:</b>						
Raising funds	7	98	20	-	-	118
Charitable activities:						
- Educational operations	9	490	9,909	237	-	10,636
<b>Total</b>	7	<u>588</u>	<u>9,929</u>	<u>237</u>	<u>-</u>	<u>10,754</u>
<b>Net income/(expenditure)</b>		606	(2,985)	40,229	-	37,850
Transfers between funds	19	-	(199)	199	-	-
<b>Other recognised gains/(losses)</b>						
Actuarial gains on defined benefit pension schemes	21	-	468	-	-	468
<b>Net movement in funds</b>		606	(2,716)	40,428	-	38,318
<b>Reconciliation of funds</b>						
Total funds brought forward		<u>255</u>	<u>1,087</u>	<u>332</u>	<u>1,250</u>	<u>2,924</u>
Total funds carried forward		<u>861</u>	<u>(1,629)</u>	<u>40,760</u>	<u>1,250</u>	<u>41,242</u>

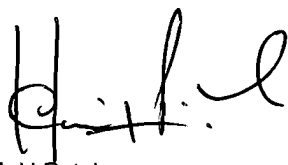
# HEART ACADEMIES TRUST

## BALANCE SHEET

AS AT 31 AUGUST 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	13		40,037		40,732
<b>Current assets</b>					
Stocks	14	5		24	
Debtors	15	493		1,016	
Cash at bank and in hand		4,781		5,114	
		5,279		6,154	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	16	(955)		(1,517)	
<b>Net current assets</b>			4,324		4,637
<b>Net assets excluding pension liability</b>			44,361		45,369
Defined benefit pension scheme liability	21		(3,833)		(4,127)
<b>Total net assets</b>			40,528		41,242
<b>Funds of the Academy Trust:</b>					
<b>Restricted funds</b>	19				
- Fixed asset funds			40,037		40,760
- Restricted income funds			2,139		2,498
- Pension reserve			(3,833)		(4,127)
- Endowment funds			1,250		1,250
<b>Total restricted funds</b>			39,593		40,381
<b>Unrestricted income funds</b>	19		935		861
<b>Total funds</b>			40,528		41,242

The Financial Statements on pages 21 to 49 were approved by the Trustees and authorised for issue on 06 December 2018 and are signed on their behalf by:



Mr H Patel  
Chair of Trustees

Company Number 06969741

# HEART ACADEMIES TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	22	(66)	1,115
Cash funds transferred on conversion		-	495
		(66)	1,610
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments		15	16
Capital grants from DfE Group		51	50
Purchase of tangible fixed assets		(333)	(224)
Proceeds from sale of tangible fixed assets		-	3
<b>Net cash used in investing activities</b>		(267)	(155)
<b>Net (decrease)/increase in cash and cash equivalents in the reporting period</b>		(333)	1,455
Cash and cash equivalents at beginning of the year		5,114	3,659
<b>Cash and cash equivalents at end of the year</b>		4,781	5,114

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 1 Accounting policies

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

##### 1.1 Basis of preparation

The Financial Statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their Financial Statements 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

HEART Academies Trust meets the definition of a public benefit entity under FRS 102.

##### 1.2 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 charitable company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the Financial Statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

##### 1.3 Income

All incoming resources are recognised when the Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

###### Grants

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

General Annual Grant is recognised in full in the statement of financial activities in the period 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 in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

###### Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

###### Donations

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

---

#### 1 Accounting policies

##### Other income

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

##### Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

##### Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

#### 1.4 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 are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

##### Expenditure on raising funds

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

##### Charitable activities

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

##### Governance costs

These include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management, Trustees' meetings and reimbursed expenses.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

---

#### 1 Accounting policies

##### 1.5 Tangible fixed assets and depreciation

Assets costing £1,000 or more per item (or less if they form part of a larger purchase or project where the total cost exceeds £10,000) are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Where tangible fixed assets have been acquired / funded by other income, the fixed asset fund is also credited. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities.

Depreciation is provided on all tangible fixed assets other than freehold / leasehold land, 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 and buildings	50 years (Straight Line)
Computer equipment	3 years (Straight Line)
Fixtures, fittings & equipment	3 years (Straight Line)
Motor vehicles	5 years (Straight Line)

##### Fixed Asset Transfer from Predecessor Schools

Where fixed assets were transferred to the charitable company from the predecessor school, these have been included at a value determined in accordance with the policy described:

##### Land

Where land is owned (or occupied under the terms of a long term lease), subject to a legally binding restriction as to its use, it is included at fair value, based on its existing use.

##### Buildings

In accordance with the requirements of FRS102, specialist buildings transferred from predecessor schools are recognised at their fair value at the time of transfer. Future depreciation is charged over the estimated remaining useful life of the buildings.

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.

##### 1.6 Liabilities

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

##### 1.7 Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

##### 1.8 Financial instruments

The Academy Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Academy Trust and their measurement basis are as follows.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 1 Accounting policies

##### Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

Cash at bank is classified as a basic financial instrument and is measured at face value.

##### Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

#### 1.9 Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal. Provision is made for obsolete and slow moving stock.

#### 1.10 Taxation

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

#### 1.11 Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### **1 Accounting policies**

##### **1.12 Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust 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 Department for Education Group.

##### **1.13 Agency Arrangements**

Where the Academy Trust acts as agent in collecting and / or distributing from the ESFA or others, and subsequent disbursements are excluded from the Statement of Financial Activities as the Trust does not have control over charitable application of the funds. The funds received and paid, and any balances held are disclosed in note 27.

#### **2 Critical accounting estimates and areas of judgement**

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

##### Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

##### Critical areas of judgement

In preparing these Financial Statements, the Trustees have not needed to exercise any subjective judgements that would be critical to the Academy Trust's Financial Statements.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 3 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Private sponsorship	-	2	2	2
Donated fixed assets	-	-	-	21,380
Capital grants	-	51	51	50
Other donations	35	-	35	14
	<u>35</u>	<u>53</u>	<u>88</u>	<u>21,446</u>

Donated fixed assets of £21,380k in 2017 relate to the depreciated replacement cost of leasehold land and buildings transferred to Bedford Academy by Bedford Borough Council in that year.

### 4 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>DfE / ESFA grants</b>				
General annual grant (GAG)	-	11,635	11,635	8,623
Start up grants	-	-	-	12
Other DfE group grants	-	1,234	1,234	763
	<u>-</u>	<u>12,869</u>	<u>12,869</u>	<u>9,398</u>
<b>Other government grants</b>				
Local authority grants	-	462	462	307
	<u>-</u>	<u>462</u>	<u>462</u>	<u>307</u>
<b>Other funding</b>				
Catering income	406	-	406	418
Other incoming resources	96	-	96	36
	<u>502</u>	<u>-</u>	<u>502</u>	<u>454</u>
<b>Total funding</b>	<u>502</u>	<u>13,331</u>	<u>13,833</u>	<u>10,159</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 5 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Hire of facilities	145	-	145	136
Other income	106	-	106	84
	<u>251</u>	<u>-</u>	<u>251</u>	<u>220</u>

### 6 Investment income

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
Short term deposits	<u>15</u>	<u>-</u>	<u>15</u>	<u>16</u>

### 7 Expenditure

	Staff costs £'000	Non Pay Expenditure Premises £'000	Other £'000	Total 2018 £'000	Total 2017 £'000
Expenditure on raising funds					
- Direct costs	38	-	12	50	118
Academy's educational operations					
- Direct costs	9,289	806	832	10,927	7,620
- Allocated support costs	<u>2,729</u>	<u>1,062</u>	<u>1,076</u>	<u>4,867</u>	<u>3,016</u>
	<u>12,056</u>	<u>1,868</u>	<u>1,920</u>	<u>15,844</u>	<u>10,754</u>

#### Net income/(expenditure) for the year includes:

	2018 £'000	2017 £'000
Fees payable to auditor for:		
- Audit	11	11
- Other services	17	10
Operating lease rentals	3	1
Depreciation of tangible fixed assets	1,007	238
Loss/(gain) on disposal of fixed assets	21	(1)
Net interest on defined benefit pension liability	<u>111</u>	<u>51</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### 7 Expenditure

Included within expenditure are the following transactions:

	2018 £
Stock losses - total	15,020
- Items over £5,000:                      Write off of old uniform stock	15,020
Unrecoverable debts - total	<u>2,162</u>

Clarification - While the majority of disclosure in these accounts are rounded to £'000, disclosure of unrecoverable debts and stock losses are not. The value of unrecoverable debts and stock losses for the year were £2,162 and £15,020 respectively (and not £2,162k and £15,020k respectively).

#### 8 Central services

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

- human resources;
- financial services;
- leadership services;
- IT and related costs;
- Facilities and premises

The Academy Trust charges for these services on the following basis:

- percentage of income of 5% - 6%.

The amounts charged during the year were as follows:

	2018 £'000	2017 £'000
The Bedford Academy	455	-
Cauldwell Lower School	93	-
Shackleton Primary School	97	-
Shortstown Primary School	82	-
	<u>727</u>	<u>-</u>

No Central services charges were made in 2016/2017.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 9 Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>Direct costs</b>				
Educational operations	92	10,835	10,927	7,620
<b>Support costs</b>				
Educational operations	599	4,268	4,867	3,016
	<u>691</u>	<u>15,103</u>	<u>15,794</u>	<u>10,636</u>
<b>Analysis of costs</b>			<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Direct costs</b>				
Teaching and educational support staff costs			9,289	6,649
Staff development			53	34
Depreciation			806	190
Educational supplies and services			509	532
Examination fees			143	186
Educational consultancy			48	5
Other direct costs			79	24
			<u>10,927</u>	<u>7,620</u>
<b>Support costs</b>				
Support staff costs			2,191	1,373
Defined benefit pension scheme - staff costs (FRS102 adjustment)			538	272
Depreciation			201	48
Loss/(Profit) on disposal of fixed assets			21	(1)
Technology costs			162	174
Maintenance of premises and equipment			311	83
Cleaning			27	20
Energy costs			244	177
Rent, rates and other occupancy costs			149	107
Insurance			88	47
Security and transport			33	15
Catering			301	249
Defined benefit pension scheme - finance costs (FRS102 adjustment)			111	51
Other support costs			344	240
Governance costs			146	161
			<u>4,867</u>	<u>3,016</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 10 Staff

#### Staff costs

Staff costs during the year were:

	2018 £'000	2017 £'000
Wages and salaries	8,850	6,286
Social security costs	801	585
Pension costs	1,490	967
Defined benefit pension scheme - staff costs (FRS102 adjustment)	538	272
Staff costs	11,679	8,110
Agency staff costs	236	181
Staff restructuring costs	141	39
Total staff expenditure	12,056	8,330

Staff restructuring costs comprise:

Redundancy payments	141	39
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#### Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £nil (2017: £25k).

#### Staff numbers

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

	2018 Number	2017 Number
Teachers	150	150
Administration and support	230	252
Management	13	17
	393	419

The number of persons employed, expressed as a full time equivalent, was as follows:

	2018 Number	2017 Number
Teachers	144	143
Administration and support	145	164
Management	13	17
	302	324

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 10 Staff

#### Higher paid staff

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

	2018 Number	2017 Number
£60,000 - £70,000	5	5
£70,001 - £80,000	2	4
£80,001 - £90,000	1	-
£120,001 - £130,000	1	1

#### Key management personnel

The key management personnel of the Academy Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £431,184.

### 11 Trustees' remuneration and expenses

One or more of the Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff members under their contracts of employment, and not in respect of their services as Trustees.

The value of Trustees' remuneration and other benefits was as follows:

C Smith (Principal - to 01 April 2017):

- Remuneration: not appointed in current year (2017: £70,000 - £75,000)
- Employer's pension contributions: not appointed in current year (2017: £10,000 - £15,000)

E Orr (Staff Trustee - to 31 May 2017):

- Remuneration: not appointed in current year (2017: £45,000 - £50,000)
- Employer's pension contributions: not appointed in current year (2017: £5,000 - £10,000)

During the year, travel and subsistence payments totalling £nil (2017: £nil) were reimbursed or paid directly to 0 Trustees (2017: 0 Trustees).

Other related party transactions involving the Trustees are set out within the related parties note.

### 12 Trustees and officers insurance

In accordance with normal commercial practice, the Academy Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2018 was £764 (2017: £749). The cost of this insurance is included in the total insurance cost.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 13 Tangible fixed assets

	Leasehold land and buildings £'000	Computer equipment £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 September 2017	40,365	2,329	261	64	43,019
Additions	38	269	26	-	333
Disposals	(21)	-	-	-	(21)
At 31 August 2018	40,382	2,598	287	64	43,331
<b>Depreciation</b>					
At 1 September 2017	72	2,005	153	57	2,287
Charge for the year	743	196	64	4	1,007
At 31 August 2018	815	2,201	217	61	3,294
<b>Net book value</b>					
At 31 August 2018	39,567	397	70	3	40,037
At 31 August 2017	40,293	324	108	7	40,732

Leasehold land is included above at its net book value of £5,927k.

### 14 Stocks

	2018 £'000	2017 £'000
Stock	5	24

### 15 Debtors

	2018 £'000	2017 £'000
Trade debtors	6	11
VAT recoverable	70	201
Other debtors	181	461
Prepayments and accrued income	236	343
	493	1,016

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

<b>16</b>	<b>Creditors: amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	Trade creditors	248	507
	Other taxation and social security	214	207
	ESFA creditors - abatement of GAG	137	211
	Other creditors	20	182
	Accruals and deferred income	336	410
		<u>955</u>	<u>1,517</u>
<b>17</b>	<b>Deferred income</b>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	Deferred income is included within:		
	Creditors due within one year	<u>205</u>	<u>309</u>
	Deferred income at 1 September 2017	309	24
	Released from previous years	(309)	(24)
	Resources deferred in the year	<u>205</u>	<u>309</u>
	<b>Deferred income at 31 August 2018</b>	<b><u>205</u></b>	<b><u>309</u></b>
Deferred income relates to trips to take place in 2018/19 of £7k (2017: £11k); the undistributed element of 16 - 19 bursary funding of £21k (2017: £16k) deferred under the agency arrangement rules; Deferred rates income of £57k (2017: £57k); 2018/19 Universal Infant Free School Meals funding received in advance of £98k (2017: £108k); Pupil premium funding received in advance of £nil (2017: £114k); and other amounts received in advance of £22k (2017: £3k).			
<b>18</b>	<b>Financial instruments</b>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Carrying amount of financial assets</b>		
	Debt instruments measured at amortised cost	<u>4,968</u>	<u>5,586</u>
	<b>Carrying amount of financial liabilities</b>		
	Measured at amortised cost	<u>(536)</u>	<u>(1,001)</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Funds

	Balance at 1 September 2017 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2018 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	2,344	11,635	(11,580)	(260)	2,139
Other DfE / ESFA grants	-	362	(362)	-	-
Pupil premium	-	872	(872)	-	-
Other government grants	154	462	(616)	-	-
Other restricted funds	-	2	(2)	-	-
Pension reserve	(4,127)	-	(649)	943	(3,833)
	<u>(1,629)</u>	<u>13,333</u>	<u>(14,081)</u>	<u>683</u>	<u>(1,694)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	40,344	-	(783)	-	39,561
DfE group capital grants	187	51	(143)	-	95
Capital expenditure from GAG and other funds	229	-	(108)	260	381
	<u>40,760</u>	<u>51</u>	<u>(1,034)</u>	<u>260</u>	<u>40,037</u>
Restricted endowment fund	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
<b>Total restricted funds</b>	<u>40,381</u>	<u>13,384</u>	<u>(15,115)</u>	<u>943</u>	<u>39,593</u>
<b>Unrestricted funds</b>					
General funds	<u>861</u>	<u>803</u>	<u>(729)</u>	<u>-</u>	<u>935</u>
<b>Total funds</b>	<u>41,242</u>	<u>14,187</u>	<u>(15,844)</u>	<u>943</u>	<u>40,528</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **19 Funds**

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

The Restricted General Funds are used to fund the general operating costs of the Academy.

Under the funding agreement with the Secretary of State (updated by a deed of variation dated 19 May 2015), the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

The Restricted LGPS Fund represents the Academy's share of the LGPS Pension Fund deficit.

The Restricted Fixed Asset Fund represents the net book value of fixed assets £40,037k (2017: £40,732k), plus the unspent element of capital funds £nil (2017: £28k). When fixed assets are purchased the fund is increased and depreciation charges reduce the fund.

Unrestricted Funds represent balances held at period end that can be applied at the discretion of the Governors, to support any of the Academy's charitable purposes.

The Academy maintains and controls an endowment fund the purpose of which is to hold for the benefit of the Academy, sponsorship income of £1 million from the Bedford Charity (The Harpur Trust) and £250k from Bedford College Further Education Corporation. The restriction on this fund has been removed meaning it can now be spent by the academy trust.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Funds

Comparative information in respect of the preceding period is as follows:

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2017 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	2,277	8,623	(8,357)	(199)	2,344
Start up grants	85	12	(97)	-	-
Other DfE / ESFA grants	24	216	(240)	-	-
Pupil premium	-	547	(547)	-	-
Other government grants	205	307	(358)	-	154
Other restricted funds	-	7	(7)	-	-
Pension reserve	(1,504)	(2,768)	(323)	468	(4,127)
	<u>1,087</u>	<u>6,944</u>	<u>(9,929)</u>	<u>269</u>	<u>(1,629)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	-	40,416	(72)	-	40,344
DfE group capital grants	273	50	(136)	-	187
Capital expenditure from GAG and other funds	59	-	(29)	199	229
	<u>332</u>	<u>40,466</u>	<u>(237)</u>	<u>199</u>	<u>40,760</u>
Restricted endowment fund	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
<b>Total restricted funds</b>	<u>2,669</u>	<u>47,410</u>	<u>(10,166)</u>	<u>468</u>	<u>40,381</u>
<b>Unrestricted funds</b>					
General funds	<u>255</u>	<u>1,194</u>	<u>(588)</u>	<u>-</u>	<u>861</u>
<b>Total funds</b>	<u>2,924</u>	<u>48,604</u>	<u>(10,754)</u>	<u>468</u>	<u>41,242</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Funds

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2018 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	2,277	20,258	(19,937)	(459)	2,139
Start up grants	85	12	(97)	-	-
Other DfE / ESFA grants	24	578	(602)	-	-
Pupil premium	-	1,419	(1,419)	-	-
Other government grants	205	769	(974)	-	-
Other restricted funds	-	9	(9)	-	-
Pension reserve	(1,504)	(2,768)	(972)	1,411	(3,833)
	<u>1,087</u>	<u>20,277</u>	<u>(24,010)</u>	<u>952</u>	<u>(1,694)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	-	40,416	(855)	-	39,561
DfE group capital grants	273	101	(279)	-	95
Capital expenditure from GAG and other funds	59	-	(137)	459	381
	<u>332</u>	<u>40,517</u>	<u>(1,271)</u>	<u>459</u>	<u>40,037</u>
Restricted endowment fund	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
<b>Total restricted funds</b>	<u>2,669</u>	<u>60,794</u>	<u>(25,281)</u>	<u>1,411</u>	<u>39,593</u>
<b>Unrestricted funds</b>					
General funds	<u>255</u>	<u>1,997</u>	<u>(1,317)</u>	<u>-</u>	<u>935</u>
<b>Total funds</b>	<u>2,924</u>	<u>62,791</u>	<u>(26,598)</u>	<u>1,411</u>	<u>40,528</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### 19 Funds

##### Total funds analysis by academy

	2018 £'000	2017 £'000
Fund balances at 31 August 2018 were allocated as follows:		
The Bedford Academy	-	4,060
Cauldwell Lower School	-	193
Shackleton Primary School	-	126
Shortstown Primary School	-	230
Central services	4,324	-
Total before fixed assets fund and pension reserve	4,324	4,609
Restricted fixed asset fund	40,037	40,760
Pension reserve	(3,833)	(4,127)
Total funds	40,528	41,242

Restricted and unrestricted spendable income received to fund in-year activities undertaken by a specific school are allocated to that school for budgeting and reporting purposes. This includes but is not limited to annual GAG funding and other annual government grants. Spendable funds that have not been spent during the course of an academic year are centrally pooled at the end of that academic year thereby creating 'pooled reserves' for unspent restricted and unrestricted funds. Disbursements from the pooled reserves in subsequent years will be at the discretion of Trustees, subject to observing any specific fund restrictions that may exist or other regulatory rulings. Disbursements from the pooled reserves would generally be reviewed and agreed as part of the Trust's annual budget setting process. The carrying value of the pooled reserves should balance the benefit of current spending with the risks the reserves are designed to cover. Levels of reserves which are too high tie up money which should be spent on current school activities. Levels of reserves which are too low may put the future activities of the schools at risk. The total level of the pooled reserves should not fall below a minimum value, set and reviewed by Trustees on an annual basis.

The Trust also holds an endowment of £1.25 million for the following purposes, previous endowment restrictions having been lifted;

1. In circumstances where the Trust is likely or foreseeably going to be in breach of its minimum reserve limit disbursements from the endowment fund would be held back until such a time that these covenants are no longer at risk.
2. Subject to certain conditions of the trust deed, Trustees have agreed that the balance of the endowment fund can be used for:
  - a. Delivery of Trustee-approved strategic long-term aims of the Trust.
  - b. Delivery of new, separately identifiable, capital projects. This must not include expenditure required for the normal annual replacement of capital assets (i.e. this excludes replacement of computers or classroom furniture).
  - c. Seed funding for new income-generating and/or cost-saving initiatives to deliver long-term returns to the Trust for an acceptable level of risk.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Funds

#### Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total
	£'000	£'000	£'000	£'000	£'000
The Bedford Academy	4,974	1,190	236	1,257	7,657
Cauldwell Lower School	1,284	222	90	247	1,843
Shackleton Primary School	1,468	246	90	341	2,145
Shortstown Primary School	1,111	326	93	242	1,772
Central services	452	783	-	185	1,420
	<u>9,289</u>	<u>2,767</u>	<u>509</u>	<u>2,272</u>	<u>14,837</u>

### 20 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total Funds £'000
<b>Fund balances at 31 August 2018 are represented by:</b>					
Tangible fixed assets	-	-	40,037	-	40,037
Current assets	935	3,094	-	1,250	5,279
Creditors falling due within one year	-	(955)	-	-	(955)
Defined benefit pension liability	-	(3,833)	-	-	(3,833)
<b>Total net assets</b>	<u>935</u>	<u>(1,694)</u>	<u>40,037</u>	<u>1,250</u>	<u>40,528</u>

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total Funds £'000
<b>Fund balances at 31 August 2017 are represented by:</b>					
Tangible fixed assets	-	-	40,732	-	40,732
Current assets	861	4,015	28	1,250	6,154
Creditors falling due within one year	-	(1,517)	-	-	(1,517)
Defined benefit pension liability	-	(4,127)	-	-	(4,127)
<b>Total net assets</b>	<u>861</u>	<u>(1,629)</u>	<u>40,760</u>	<u>1,250</u>	<u>41,242</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 21 Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedford Borough Council. 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 that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £22k (2017: £178k) were payable to the schemes at 31 August 2018 and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

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

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%

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to the TPS in the period amounted to £873k (2017: £629k).

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### 21 Pension and similar obligations

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

##### Local Government Pension Scheme

The LGPS is a funded defined-benefit pension scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 18.1% to 26.1% for employers and a range from 5.5% to 12.5% for employees.

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

Total contributions made	2018 £'000	2017 £'000
Employer's contributions	617	338
Employees' contributions	177	108
Total contributions	794	446
Principal actuarial assumptions	2018 %	2017 %
Rate of increase in salaries	2.63	2.70
Rate of increase for pensions in payment/inflation	2.33	2.40
Discount rate for scheme liabilities	2.80	2.50

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

	2018 Years	2017 Years
Retiring today		
- Males	22.4	22.4
- Females	24.5	24.5
Retiring in 20 years		
- Males	24.0	24.0
- Females	26.2	26.2

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 21 Pension and similar obligations

Scheme liabilities have been measured at £7,864k. They would have been measured at the following amounts in the event of changes in assumptions indicated:

	2018	2017
	£'000	£'000
Discount rate - 0.5%	8,979	8,214
Salary rate + 0.5%	7,973	7,329
Pension rate + 0.5%	8,862	8,084

#### Defined benefit pension scheme net liability

Scheme assets	4,031	3,086
Scheme obligations	(7,864)	(7,213)
Net liability	(3,833)	(4,127)

#### The Academy Trust's share of the assets in the scheme

	2018	2017
	Fair value	Fair value
	£'000	£'000
Equities	2,338	1,759
Bonds	564	463
Property	363	278
Other assets	766	586
Total market value of assets	4,031	3,086

The actual return on scheme assets was £177,000 (2017: £336,000).

#### Amount recognised in the Statement of Financial Activities

	2018	2017
	£'000	£'000
Current service cost	1,155	610
Interest income	(86)	(50)
Interest cost	197	101
Total operating charge	1,266	661

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 21 Pension and similar obligations

Changes in the present value of defined benefit obligations	2018 £'000
At 1 September 2017	7,213
Current service cost	1,155
Interest cost	197
Employee contributions	177
Actuarial gain	(852)
Benefits paid	(26)
At 31 August 2018	7,864

### Changes in the fair value of the Academy Trust's share of scheme assets

	2018 £'000
At 1 September 2017	3,086
Interest income	86
Actuarial gain	91
Employer contributions	617
Employee contributions	177
Benefits paid	(26)
At 31 August 2018	4,031

### 22 Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2018 £'000	2017 £'000
Net (expenditure)/income for the reporting period (as per the Statement of Financial Activities)	(1,657)	37,850
Adjusted for:		
Net surplus on conversion to academy	-	(16,763)
Capital grants from DfE/ESFA and other capital income	(51)	(21,430)
Investment income receivable	(15)	(16)
Defined benefit pension costs less contributions payable	538	272
Defined benefit pension net finance cost	111	51
Depreciation of tangible fixed assets	1,007	238
(Loss)/profit on disposal of fixed assets	21	(1)
Decrease/(increase) in stocks	19	(22)
Decrease in debtors	523	23
(Decrease)/increase in creditors	(562)	913
Net cash (used in)/provided by operating activities	(66)	1,115

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### 23 Commitments under operating leases

At 31 August 2018 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £'000	2017 £'000
Amounts due within one year	3	5
Amounts due in two and five years	9	1
	<u>12</u>	<u>6</u>

#### 24 Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the Academy Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

A contribution towards the cost of uniforms of £2,350 (2017: £1,500) was also receivable from The Harpur Trust and is included in income. At the balance sheet date £1,150 (2017: £500) was included in creditors. This is a related party by virtue of the fact that it was a sponsor and member of the Academy throughout the period.

In entering into these transactions, the Academy Trust has complied with the requirements of the Academies Financial Handbook 2017.

#### 25 Connected Charities

The Academy Trust is connected to a separately registered charity known as Cauldwell School Fund (charity number 1147180).

The Cauldwell School Fund raises funds and spends them in connection with the Academy Trust.

The Cauldwell School Fund has not been consolidated as it has separate trustees who control it. The results of the charity during the year ended 31 August 2018 were as follows: Income of £24k and Expenditure of £19k, leaving a net surplus of £5k. Net assets of £20k were held by the charity at 31 August 2018.

#### 26 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **27 Agency arrangements**

The Academy Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2018 the Trust received £24,617 (2017: £26,057) and disbursed £19,519 (2017: £24,367) from the fund. An amount of £20,902 (2017: £15,593) is included within creditors: amounts falling due in less than one year relating to undistributed funds.