

Company Registration No. 06969741 (England and Wales)

HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
(A COMPANY LIMITED BY GUARANTEE)

TRUSTEES' REPORT AND AUDITED ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2017



**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)**

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**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)**

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

Mr H Patel (RO) (Chairman) ^{1,2}
Mr M Weeden ¹
Mrs S Clark ³
Mr D Wilson (Appointed 01 April 2017) ¹
Miss D Parton (Appointed 01 April 2017) ³
Mr S McLellan (Appointed 01 April 2017) ¹
Mr L Spencer (Appointed 01 April 2017) ²
Miss H Mather (Appointed 01 April 2017) ^{2,3}
Dr K Hudson-Glynn (Appointed 01 April 2017) ³
Mrs V Green (Appointed 01 November 2017) ^{1,2}

Mrs C Smith (Resigned 01 April 2017) ¹
Mr A Melvill (Resigned 01 April 2017)
Mrs C Highams (Resigned 01 April 2017)
Mr A Wildman (Resigned 01 April 2017) ¹
Mr C Baily (Resigned 01 April 2017)
Miss E Orr (Resigned 01 April 2017)
Mr S Forbes (Resigned 01 April 2017) ¹
Ms E Lowe (Resigned 04 November 2016) ¹

¹ member of the Finance and Resources Committee

² member of the Audit Committee

³ member of the Education Committee

Members

The Bedford Charity (The Harpur Trust)
Mr M Stewart
Mr R Wilkinson
Mr D Webster
Mr H Patel
Bedford College Further Education Corporation (to 21 October 2016)

Core Central Team

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

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

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton NW3 6NW

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees present their annual report together with the accounts and independent auditor's report of the charitable company for the period 01 September 2016 to 31 August 2017. 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 2016/17 issued by the ESFA.

Structure, governance and management

Constitution

The Academy Trust is a company limited by guarantee incorporated on 22 July 2009, and the predecessor school converted to academy status on 01 September 2010. The charitable company's memorandum and articles of association are its primary governing documents.

For the first nine months of the financial year, the Trust operated a single academy, The Bedford Academy. 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 Lower School, Shortstown Primary School and Shackleton Primary School all joined the MAT alongside The Bedford Academy. The Trust operated all four academies for the final three months of the 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 2,910 and had a total roll of 2,520 in the school census on 18th May 2017 across its four schools.

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.

Method of recruitment and appointment or election of Trustees

The charitable company adopted new articles of association on 28 March 2017. The articles of association in place prior to that date required the charitable company to appoint at least three Governors and no more than fifteen Governors to be responsible for the statutory and constitutional affairs of the company and the management of the Academy. In accordance with those Articles, the charitable company had the following Governors:

- The Harpur Trust and Bedford College Further Education Corporation (The Sponsors) who held the right to appoint themselves as Governors
- 4 individuals appointed by each Sponsor
- 1 LA Governor (if the LA choose to appoint)
- 1 Parent Governor
- 1 Staff Governor
- The Principal
- Up to 2 Co-opted Governors
- The Secretary of State was also able to appoint Governors in certain circumstances.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

Governors (other than the Sponsors and the Principal) served for four years and were eligible for re-election. The Governors who were in office at 31st August 2016 and served during the current period are listed on page 1.

Following the adoption of new articles the Trustees of the charitable company are now 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
- a Local Governing Bodies for each of the 4 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.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

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 are in place, they receive remuneration for their role as staff and their pay is determined in the same way as applicable to all other staff. Further details of remuneration paid to staff who are 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.

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. Bedford College Further Education Corporation was a related party by virtue of being a Sponsor however ceased to be during the year. 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.

Objectives, strategies and activities

The main objectives during the year were:

- To establish the HEART Academies Trust
- To expand the Trust to include three primary schools, Cauldwell Lower School, Shackleton Primary School and Shortstown Primary School
- To establish an effective Core Central Team for the Trust
- To develop a school improvement offer to enable positive impact on outcomes for students in 2017/18.

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.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

Strategic Report

Achievements and performance

Achievements in the year

Bedford Academy converted to become HEART Academies Trust on 1 April 2017. On 1 June 2017 the Trust grew successfully to incorporate three primary schools: Cauldwell, Shackleton and Shortstown.

The Trust established an effective Central Team to support all four schools in functions such as Finance, HR and Grounds Maintenance. The Trust has undertaken significant IT development work in a phased approach. Phase 1 was commenced and by the end of the academic year was partially complete but on schedule.

In addition, the Trust has begun scoping investment in the Bedford Academy site in the redevelopment of the caretaker's bungalow to become Trust offices and conference facility. Planning permission for the development has been agreed and site surveys completed.

Students' Achievement

The Trust's primary focus is to improve outcomes for children year on year. It is early days in the life of the Trust to influence school improvement in all of the schools.

Bedford Academy achieved a positive set of results at both Key Stage 4 and Key Stage 5. In 6th Form, vocational subject outcomes were outstanding and academic subjects good when compared to national benchmarks. Key Stage 4 outcomes gave an overall indicative Progress 8 score of +0.11, placing the School securely above national averages. With new GCSEs in Maths and English, the percentage basics score of grade 4 or above reached 50%. The academies' preparations for these new exams were thorough.

The Trust achieved Key Stage 2 results that were below national in the combined score of reading, writing and maths – 42%. Each primary school's performance varied significantly with Cauldwell achieving national averages for Key Stage 2 combined reading, writing and maths. Other notable successes include Shackleton's Year 1 phonics results which met national averages and Shortstown's Early Years outcomes, where 69% of children reached a good level of development (GLD) in line with national but from low starting points. This represented strong progress in this area.

School Improvement

The Trust has secured a valuable school improvement offer to address the needs of each school. This makes use of internal capacity in schools and the Trust's School Improvement Team whilst establishing strong partnerships with external agencies. The Trust has invested in a range of professional development opportunities across the Trust in the form of working parties and other formal programmes. These are proving popular and effective.

Key financial performance indicators

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

Staff costs (excl supply) as a % of total revenue should not exceed 77%. Actual staff cost % for the year was 77% and within budget.

The net surplus for the year of £217K (before depreciation, pension revaluation, donated fixed assets and transfers from the local authority on conversion) exceeded the equivalent budgeted surplus of £140K by £77k. This was due to better than budget results at Cauldwell (£28k) and Shortstown (£12k) and an above budget return from the Bedford Academy in-house catering function.

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.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

Financial review

The Trust receives its income from a number of different sources. The majority of our income comes from central government via the Education and Skills Funding Agency who provide us with grant, based largely on our student numbers to cover our staffing and other general running costs (General Annual Grant - GAG). The ESFA may provide us with additional grants which are earmarked for specific purposes (such as Pupil Premium which must be used to raise the attainment of disadvantaged pupils). These appear in the accounts as DfE/ESFA grants. Where we receive grant or other funding from the Local Authority (such as where we undertake responsibilities on their behalf in respect of our students) this appears in the accounts as 'Other government grants'. Such income is collectively referred to as "Restricted Funds". Other income is received from parents (for example as contributions to trip or other costs) and from third parties (for example from our bank for interest on our account balances or from others who are charged for their use of our facilities). Such other income may be restricted or unrestricted, depending on whether it comes to us with conditions as to its use or whether it is available for spending at the discretion of Trustees.

We hold funds in two broad categories, funds which are available for spending and other funds which are not available for spending.

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

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, we cannot spend this value. In common with all academies and Local Authorities, our share of the Local Government Pension Scheme deficit must also be reflected in our accounts and as this is not a conventional liability, it does not need to be deducted from spendable funds. We meet our obligations in respect of the LGPS by paying over pension contributions due as calculated by the scheme's actuaries. The following balances held were held at 31 August:

Fund	Category	2017 £'000	2016 £'000
GAG	Restricted General Funds	2,344	2,277
Other DfE/ESFA/LA Grants	Restricted General Funds	154	314
	Sub-total General Restricted Funds	2,498	2,591
Unspent Capital Grants	Restricted Fixed Asset Fund	28	-
Other Income	Unrestricted General Fund	861	255
	Sub-Total Spendable Funds	3,387	2,846
Endowment	Restricted Endowment Fund	1,250	1,250
Net Book Value of Fixed Assets	Restricted Fixed Asset Fund	40,732	332
Share of LGPS Deficit	Restricted Pension Reserve	(4,127)	(1,504)
	Total All Funds	41,242	2,924
		=====	=====

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.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

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 company is exposed, in particular those relating to academic performance/, finances and child welfare. The Trustees have implemented a number of systems to assess risks that the company faces, and have developed policies and procedures to mitigate those risks. Where significant financial risk still remains they have ensured they have adequate insurance cover. The company 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.

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.

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.

The Academy is exploring the possibility of redeveloping the caretaker's bungalow on site to use as an educational facility.

Funds held as Custodian Trustee

No funds are held on behalf of others.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)**

TRUSTEES' REPORT

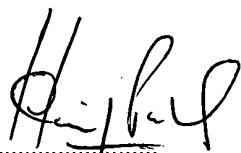
FOR THE YEAR ENDED 31 AUGUST 2017

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 14 December 2016 and signed on the Board's behalf by:



.....
Mr H Patel
Chair of Trustees

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2017

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 has delegated the day-to-day responsibility to Mrs C Smith, 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:

Trustees	Meetings attended	Out of possible
Mr H Patel (RO) (Chairman)	2	2
Mr M Weeden	2	2
Mrs S Clark	2	2
Mr D Wilson (Appointed 01 April 2017)	2	2
Miss D Parton (Appointed 01 April 2017)	2	2
Mr S McLellan (Appointed 01 April 2017)	2	2
Mr L Spencer (Appointed 01 April 2017)	2	2
Miss H Mather (Appointed 01 April 2017)	2	2
Dr K Hudson-Glynn (Appointed 01 April 2017)	0	2
Mrs V Green (Appointed 01 November 2017)	0	0
Mrs C Smith (Resigned 01 April 2017)	1	1
Mr A Melvill (Resigned 01 April 2017)	1	1
Mrs C Highams (Resigned 01 April 2017)	1	1
Mr A Wildman (Resigned 01 April 2017)	0	1
Mr C Baily (Resigned 01 April 2017)	1	1
Miss E Orr (Resigned 01 April 2017)	1	1
Mr S Forbes (Resigned 01 April 2017)	1	1
Ms E Lowe (Resigned 04 November 2016)	1	1

The composition of the Board changed during the year following the adoption of new articles and the creation of the Multi-Academy Trust (MAT). Appointments and resignations are listed above and on page one of the Trustees report. There were no significant governance challenges during the year.

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 has not undertaken an external review this year and will consider the future dates of any external reviews during the course of this next academic year.

The Finance and Resources 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 Resources Committee during the year was as follows:

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)**

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2017

Trustees	Meetings attended	Out of possible
Mr M Weeden (Chair of Committee)	1	1
Mr H Patel (Responsible Officer)	0	1
Mr D Wilson (Appointed 01 April 2017)	0	0
Mr S McLellan (Appointed 01 April 2017)	0	0
Mrs V Green (Appointed 01 November 2017)	0	0
Mrs C Smith (Resigned 01 April 2017)	1	1
Mr A Wildman (Resigned 01 April 2017)	1	1
Mr S Forbes (Resigned 01 April 2017)	1	1
Ms E Lowe (Resigned 04 November 2016)	0	0

In addition to the Finance and Resources Committee the Trust has created a separate Audit Committee. The first meeting of the Audit Committee is scheduled for 14 November 2018.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2017

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 has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Trust has delivered improved value for money during the year by directing resources where they are most needed, for example by targeting resources in key areas such as literacy support and utilising external provision for students where required. We invest in resources to ensure students attendance at school is high and our attendance levels are above the national average.

Budget holders have delegated responsibility for ensuring value for money within their area of responsibility and are held to account for managing their budgets. They are provided with monthly reports to facilitate this. Annual budgets are based on curriculum staffing plans and detailed department plans which are reviewed to ensure these meet the needs of the Trust and its students. The curriculum plan and department plans are driven by the overall Academy Development Plan.

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 have to be supported where appropriate by three quotes and purchases in excess of £25,000 require a formal tender process. All orders are reviewed by the finance department who ensure that good use of volume discounts or purchasing agreement contracts are made.

Longer term agreements (three years) have been entered into to deliver reduced costs where it is felt that this would benefit the Trust (e.g. insurance).

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

Monthly management reports are prepared by the Finance Office and are reviewed by the Chief Finance Officer and the Finance & Resources 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 Trust.

The Responsible Officer provides 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 year from 01 September 2016 to 31 August 2017 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 year from 01 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2017

The risk and control framework

The 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 Resources Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing (asset purchase or capital investment) guidelines
- delegation of authority and segregation of duties
- identification and management of risks.

The 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 Trust's financial systems. These checks are carried out by Baxter & Co. 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 of compliance with some of the key regularity and transparency requirements within the ESFA's Academies Financial Handbook
- Testing of non-grant income.

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.

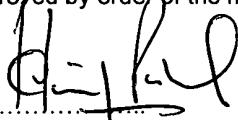
Review of effectiveness

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 academy 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 Resources Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 14 December 2016 and signed on its behalf by:



Mr H Patel
Chair of Trustees



Mrs C Smith
Accounting Officer


**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE**

FOR THE YEAR ENDED 31 AUGUST 2017

As Accounting Officer of HEART Academies Trust I have considered my responsibility to notify the Trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

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 2016.

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.



Mrs C Smith
Accounting Officer

14 December 2017

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
STATEMENT OF TRUSTEES' RESPONSIBILITIES**

FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees (who also act as Governors for HEART Academies Trust and 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 and 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 2016 to 2017
- 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/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Approved by order of the Board of Trustees on 14 December 2017 and signed on its behalf by:



Mr H Patel
Chair of Trustees

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY) INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART ACADEMIES TRUST

Opinion

We have audited the Financial Statements of HEART Academies Trust for the year ended 31 August 2017 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 2016 to 2017 issued by the Education and 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 2017 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 2016 to 2017.

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.

HEART ACADEMIES TRUST

(FORMERLY THE BEDFORD ACADEMY)

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

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 has 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.

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

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.

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. 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 auditors' 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'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: 18 December 2017

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEART ACADEMIES TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 1 November 2012 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, 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 2016 to 31 August 2017 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 2016, 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 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 2016, issued by the ESFA.
-

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

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 2016 to 31 August 2017 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: 18 December 2017

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT**

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total 2017 £'000	Total 2016 £'000
Income and endowments from:							
Donations and capital grants	3	9	7	21,430	-	21,446	53
Donations - transfer from local authority on conversion	26	495	(2,768)	19,036	-	16,763	-
Charitable activities:							
- Funding for educational operations	4	36	9,705	-	-	9,741	8,445
Other trading activities	5	638	-	-	-	638	519
Investments	6	16	-	-	-	16	14
Total income and endowments		<u>1,194</u>	<u>6,944</u>	<u>40,466</u>	<u>-</u>	<u>48,604</u>	<u>9,031</u>
Expenditure on:							
Raising funds	7	98	20	-	-	118	22
Charitable activities:							
- Educational operations	8	490	9,909	237	-	10,636	8,528
Total expenditure	7	<u>588</u>	<u>9,929</u>	<u>237</u>	<u>-</u>	<u>10,754</u>	<u>8,550</u>
Net income/(expenditure)		606	(2,985)	40,229	-	37,850	481
Transfers between funds		-	(199)	199	-	-	-
Other recognised gains and losses							
Actuarial gains/(losses) on defined benefit pension schemes	20	-	468	-	-	468	(668)
Net movement in funds		606	(2,716)	40,428	-	38,318	(187)
Reconciliation of funds							
Total funds brought forward		<u>255</u>	<u>1,087</u>	<u>332</u>	<u>1,250</u>	<u>2,924</u>	<u>3,111</u>
Total funds carried forward		<u>861</u>	<u>(1,629)</u>	<u>40,760</u>	<u>1,250</u>	<u>41,242</u>	<u>2,924</u>

The comparative figures for 2016 are analysed according to fund on the next page of these financial statements.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
INCLUDING INCOME AND EXPENDITURE ACCOUNT**

FOR THE YEAR ENDED 31 AUGUST 2017

**SUPPLEMENTARY NOTE:
COMPARATIVE INFORMATION
FOR THE YEAR ENDED 31
AUGUST 2016**

		Unrestricted	Restricted funds: Endowment			Total
	Notes	Funds	General	Fixed asset	Funds	2016
		£'000	£'000	£'000	£'000	£'000
Income and endowments from:						
Donations and capital grants	3	30	-	23	-	53
Charitable activities:						
- Funding for educational operations	4	65	8,380	-	-	8,445
Other trading activities	5	519	-	-	-	519
Investments	6	14	-	-	-	14
Total income and endowments		628	8,380	23	-	9,031
Expenditure on:						
Raising funds	7	14	8	-	-	22
Charitable activities:						
- Educational operations	8	527	7,754	247	-	8,528
Total expenditure	7	541	7,762	247	-	8,550
Net income/(expenditure)		87	618	(224)	-	481
Transfers between funds		-	(47)	47	-	-
Other recognised gains and losses						
Actuarial losses on defined benefit pension schemes	20	-	(668)	-	-	(668)
Net movement in funds		87	(97)	(177)	-	(187)
Reconciliation of funds						
Total funds brought forward		168	1,184	509	1,250	3,111
Total funds carried forward		255	1,087	332	1,250	2,924

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
BALANCE SHEET**

AS AT 31 AUGUST 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12		40,732		332
Current assets					
Stocks	14	24		2	
Debtors	15	1,016		1,039	
Cash at bank and in hand		5,114		3,659	
		6,154		4,700	
Current liabilities					
Creditors: amounts falling due within one year	16	(1,517)		(604)	
Net current assets			4,637		4,096
Net assets excluding pension liability			45,369		4,428
Defined benefit pension liability	20		(4,127)		(1,504)
Total net assets			41,242		2,924
Funds of the Academy Trust:					
Restricted funds	18				
- Fixed asset funds			40,760		332
- Restricted income funds			2,498		2,591
- Pension reserve			(4,127)		(1,504)
- Endowment funds			1,250		1,250
Total restricted funds			40,381		2,669
Unrestricted income funds	18		861		255
Total funds			41,242		2,924

The Financial Statements set out on pages 20 to 49 were approved by the Board of Trustees and authorised for issue on 14 December 2017 and are signed on its behalf by:



Mr H Patel
Chair of Trustees

Company Number 06969741

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Net cash provided by operating activities	21	1,115	300
Cash funds transferred on conversion		495	-
		<u>1,610</u>	<u>300</u>
Cash flows from investing activities			
Dividends, interest and rents from investments		16	14
Capital grants from DfE and ESFA		50	23
Payments to acquire tangible fixed assets		(224)	(191)
Proceeds from sales of tangible fixed assets		3	-
		<u>(155)</u>	<u>(154)</u>
Change in cash and cash equivalents in the reporting period		<u>1,455</u>	<u>146</u>
Cash and cash equivalents at 1 September 2016		3,659	3,513
Cash and cash equivalents at 31 August 2017		<u><u>5,114</u></u>	<u><u>3,659</u></u>

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

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 2016 to 2017 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, ie 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 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Cauldwell Lower School, Shackleton Primary School and Shortstown Primary School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 26.

1.4 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 receivable

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.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

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.

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 accounts 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.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges 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.

HEART ACADEMIES TRUST (FORMERLY THE BEDFORD ACADEMY) NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

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.

1.6 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 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 is not depreciated

Leasehold 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.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

1.7 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.

1.8 Leasing and hire purchase commitments

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

1.9 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.

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.

1.10 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.

1.11 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.

1.12 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.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

Teachers' Pension Scheme

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. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

Local Government Pension Scheme

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

1.13 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 Education and Skills Funding Agency/Department for Education.

1.14 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 25.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

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 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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.

3 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Private sponsorship	-	2	2	2
Donated fixed assets	-	21,380	21,380	-
Capital grants	-	50	50	23
Other donations	9	5	14	28
	<u>9</u>	<u>21,437</u>	<u>21,446</u>	<u>53</u>

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

HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

4 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
DfE / ESFA grants				
General annual grant (GAG)	-	8,623	8,623	7,403
Start-up grants	-	12	12	139
Other DfE / ESFA grants	-	763	763	540
	-	9,398	9,398	8,082
Other government grants				
Local authority grants	-	307	307	298
Other funds				
Other incoming resources	36	-	36	65
Total funding	36	9,705	9,741	8,445

5 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Hire of facilities	136	-	136	128
Catering income	418	-	418	377
Other income	84	-	84	14
	638	-	638	519

6 Investment income

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Short term deposits	16	-	16	14

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

7 Expenditure

	Staff costs £'000	Premises & occupancy costs £'000	Other costs £'000	Total 2017 £'000	Total 2016 £'000
Expenditure on raising funds	36	-	82	118	22
Academy's educational operations					
- Direct costs	6,649	190	781	7,620	6,462
- Allocated support costs	1,645	492	879	3,016	2,066
	<u>8,330</u>	<u>682</u>	<u>1,742</u>	<u>10,754</u>	<u>8,550</u>

Net income/(expenditure) for the year includes:

	2017 £'000	2016 £'000
Fees payable to auditor for:		
- Audit	11	9
- Other services	10	7
Operating lease rentals	1	-
Depreciation of tangible fixed assets	238	247
Gain on disposal of fixed assets	(1)	-
Net interest on defined benefit pension liability	51	28

Included within expenditure are the following transactions:

	2017 £
Stock losses - total	6,985
- Items over £5,000: Write off of old uniform stock	6,985
Unrecoverable debts - total	<u>1,945</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 £1,945 and £6,985 respectively (and not £1,945k and £6,985k respectively).

Central services

The Trust became a Multi Academy Trust during the year, however has not charged any central services to academies within the Trust during the period.

HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

8 Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Direct costs - educational operations	42	7,578	7,620	6,462
Support costs - educational operations	448	2,568	3,016	2,066
	<u>490</u>	<u>10,146</u>	<u>10,636</u>	<u>8,528</u>

	Total 2017 £'000	Total 2016 £'000
Analysis of support costs		
Support staff costs	1,645	998
Depreciation and amortisation	48	49
Disposal of fixed asset	(1)	-
Technology costs	174	76
Premises and occupancy costs	445	410
Other support costs	544	450
Governance costs	161	83
	<u>3,016</u>	<u>2,066</u>

9 Staff costs

	2017 £'000	2016 £'000
Wages and salaries	6,274	5,039
Social security costs	585	414
Operating costs of defined benefit pension schemes	1,239	843
Apprenticeship levy	12	-
Staff costs	<u>8,110</u>	<u>6,296</u>
Supply staff costs	181	116
Staff restructuring costs	39	-
Total staff expenditure	<u>8,330</u>	<u>6,412</u>

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £25k (2016: £nil). This related to a single payment of £25k.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

9 Staff costs

Staff numbers

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

	2017 Number	2016 Number
Teachers	150	88
Administration and support	252	117
Management	17	9
	<u>419</u>	<u>214</u>

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

	2017 Number	2016 Number
Teachers	143	87
Administration and support	164	83
Management	17	9
	<u>324</u>	<u>179</u>

Higher paid staff

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

	2017 Number	2016 Number
£60,000 - £70,000	5	2
£70,001 - £80,000	4	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
	<u>1</u>	<u>1</u>

Key management personnel

The key management personnel of the Academy Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £350,141 (2016: £686,797).

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

10 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 £70,000 - £75,000 (2016: £115,000 - £120,000)
- Employer's pension contributions £10,000 - £15,000 (2016: £15,000 - £20,000)

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

- Remuneration £45,000 - £50,000 (2016: £60,000 - £65,000)
- Employer's pension contributions £5,000 - £10,000 (2016: £10,000 - £15,000)

During the year, travel and subsistence payments totalling £nil (2016: £nil) were reimbursed or paid directly to 0 Trustees (2016: 0 Trustees).

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

11 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 2017 was £749 (2016: £729). The cost of this insurance is included in the total insurance cost.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

12 Tangible fixed assets

	Leasehold land and buildings £'000	Computer equipment £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2016	-	2,120	195	70	2,385
Transfer on conversion	18,964	15	57	-	19,036
Additions	21,401	194	9	-	21,604
Disposals	-	-	-	(6)	(6)
At 31 August 2017	40,365	2,329	261	64	43,019
Depreciation					
At 1 September 2016	-	1,885	115	53	2,053
On disposals	-	-	-	(4)	(4)
Charge for the year	72	120	38	8	238
At 31 August 2017	72	2,005	153	57	2,287
Net book value					
At 31 August 2017	40,293	324	108	7	40,732
At 31 August 2016	-	235	80	17	332

During the year Bedford Borough Council assigned leasehold land and buildings to Bedford Academy, the depreciated replacement cost being £21,380k and which is included within additions above.

On 01 June 2017 three primary schools joined the Academy Trust and the assets inherited from Bedford Borough Council are shown above under the heading transfers on conversion totalling £19,036k. Further details of these assets can be found in note 26 of the accounts.

Leasehold land is included above at its net book value of £5,927k (2016: £nil).

13 Financial instruments

	2017 £'000	2016 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,586	4,504
Carrying amount of financial liabilities		
Measured at amortised cost	(1,001)	(459)

14 Stocks

	2017 £'000	2016 £'000
Stock	24	2

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

15 Debtors	2017 £'000	2016 £'000
Trade debtors	11	4
Sponsorship income	-	750
VAT recoverable	201	47
Other debtors	461	91
Prepayments and accrued income	343	147
	<u>1,016</u>	<u>1,039</u>
16 Creditors: amounts falling due within one year	2017 £'000	2016 £'000
Trade creditors	507	308
Other taxation and social security	207	121
ESFA creditors - abatement of GAG	211	-
Other creditors	182	100
Accruals and deferred income	410	75
	<u>1,517</u>	<u>604</u>
17 Deferred income	2017 £'000	2016 £'000
Deferred income is included within:		
Creditors due within one year	<u>309</u>	<u>24</u>
Deferred income at 1 September 2016	24	42
Released from previous years	(24)	(42)
Amounts deferred in the year	<u>309</u>	<u>24</u>
Deferred income at 31 August 2017	<u>309</u>	<u>24</u>

Deferred income relates to trips to take place in 2017/18 of £11k (2016: £10k); the undistributed element of 16 - 19 bursary funding of £16k (2016: £14k) deferred under the agency arrangement rules; deferred rates income of £57k (2016: £nil); 2017/18 Universal Infant Free School Meals funding received in advance of £108k (2016: £nil); Pupil Premium funding received in advance of £114k (2016: £nil); and other amounts received in advance of £3k (2016: £nil).

HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

18 Funds

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2017 £'000
Restricted general funds					
General Annual Grant	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)	-	-
	<u>2,591</u>	<u>9,712</u>	<u>(9,606)</u>	<u>(199)</u>	<u>2,498</u>
Funds excluding pensions	(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>
Restricted fixed asset funds					
Inherited fixed assets	-	40,416	(72)	-	40,344
DfE / ESFA 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>
Total restricted funds	<u>2,669</u>	<u>47,410</u>	<u>(10,166)</u>	<u>468</u>	<u>40,381</u>
Unrestricted funds					
General funds	<u>255</u>	<u>1,194</u>	<u>(588)</u>	<u>-</u>	<u>861</u>
Total funds	<u>2,924</u>	<u>48,604</u>	<u>(10,754)</u>	<u>468</u>	<u>41,242</u>

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

18 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 2017.

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 £40,732k (2016: £332k), plus the unspent element of capital funds £28k (2016: £nil). 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 Trustees 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. This fund cannot be spent but can be used to generate investment income. The investment income is available to be spent at the discretion of the Trustees.

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

18 Funds

Movements in funds - previous year

	Balance at 1 September 2015 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2016 £'000
Restricted general funds					
General Annual Grant	1,838	7,403	(6,962)	(2)	2,277
Start-up grants	-	139	(9)	(45)	85
Other DfE / ESFA grants	24	98	(98)	-	24
Other government grants	40	298	(133)	-	205
Pupil premium	-	442	(442)	-	-
	<u>1,902</u>	<u>8,380</u>	<u>(7,644)</u>	<u>(47)</u>	<u>2,591</u>
Funds excluding pensions	(718)	-	(118)	(668)	(1,504)
	<u>1,184</u>	<u>8,380</u>	<u>(7,762)</u>	<u>(715)</u>	<u>1,087</u>
Restricted fixed asset funds					
DfE / ESFA capital grants	474	23	(226)	2	273
Capital expenditure from GAG and other funds	35	-	(21)	45	59
	<u>509</u>	<u>23</u>	<u>(247)</u>	<u>47</u>	<u>332</u>
Restricted endowment fund	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Total restricted funds	<u>2,943</u>	<u>8,403</u>	<u>(8,009)</u>	<u>(668)</u>	<u>2,669</u>
Unrestricted funds					
General funds	<u>168</u>	<u>628</u>	<u>(541)</u>	<u>-</u>	<u>255</u>
Total funds	<u>3,111</u>	<u>9,031</u>	<u>(8,550)</u>	<u>(668)</u>	<u>2,924</u>

**HEART ACADEMIES TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

18 Funds

Total funds analysis by academy

	Total £'000
Fund balances at 31 August 2017 were allocated as follows:	
The Bedford Academy	4,060
Cauldwell Lower School	193
Shackleton Primary School	126
Shortstown Primary School	230
	<hr/>
Total before fixed assets fund and pension reserve	4,609
Restricted fixed asset fund	40,760
Pension reserve	(4,127)
	<hr/>
Total funds	<u>41,242</u>

Total cost analysis by academy

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

	Teaching and educational support staff costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs excluding depreciation £'000	Total £'000
The Bedford Academy	5,691	1,465	435	1,468	9,059
Cauldwell Lower School	333	66	30	52	481
Shackleton Primary School	375	76	36	61	548
Shortstown Primary School	250	74	31	73	428
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,649	1,681	532	1,654	10,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

18 Funds

Funds analysis by academy - previous year

	Total 2016 £'000
Fund balances at 31 August 2016 were allocated as follows:	
The Bedford Academy	4,096
Total before fixed assets fund and pension reserve	4,096
Restricted fixed asset fund	332
Pension reserve	(1,504)
Total funds	<u>2,924</u>

Total cost analysis by academy - previous year

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

	Teaching and Other support educational support staff costs	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total 2016
	£'000	£'000	£'000	£'000	£'000
The Bedford Academy	5,414	998	549	1,342	8,303
	<u>5,414</u>	<u>998</u>	<u>549</u>	<u>1,342</u>	<u>8,303</u>

19 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total 2017 £'000
Fund balances at 31 August 2017 are represented by:					
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)
	<u>861</u>	<u>(1,629)</u>	<u>40,760</u>	<u>1,250</u>	<u>41,242</u>

**HEART ACADEMIES TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

19 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total 2016 £'000
Fund balances at 31 August 2016 are represented by:					
Tangible fixed assets	-	-	332	-	332
Current assets	255	3,195	-	1,250	4,700
Creditors falling due within one year	-	(604)	-	-	(604)
Defined benefit pension liability	-	(1,504)	-	-	(1,504)
	<u>255</u>	<u>1,087</u>	<u>332</u>	<u>1,250</u>	<u>2,924</u>

20 Pensions 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 £178k (2016: £97k) were payable to the schemes at 31 August 2017 and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

20 Pensions and similar obligations

The key elements of the valuation and subsequent consultation are:

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS 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 £629k (2016: £510k).

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

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

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 17.6% to 25.6% for employers and 5.5% to 12.5% for employees.

The LGPS obligation relates to the employees of the Academy Trust who were employees transferred as part of the conversion from the maintained school (as described in note 26) together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

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	2017 £'000	2016 £'000
Employer's contributions	338	243
Employees' contributions	108	84
	<hr/>	<hr/>
Total contributions	446	327
	<hr/>	<hr/>

**HEART ACADEMIES TRUST
(FORMERLY THE BEDFORD ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2017

20 Pensions and similar obligations

Principal actuarial assumptions	2017 %	2016 %
Rate of increases in salaries	2.70	3.10
Rate of increase for pensions in payment	2.40	2.10
Discount rate	2.50	2.00

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

	2017 Years	2016 Years
Retiring today		
- Males	22.4	22.4
- Females	24.5	24.3
Retiring in 20 years		
- Males	24.0	24.4
- Females	26.2	26.8

Sensitivity Analysis

Scheme liabilities have been valued at £7,213k (2016: £3,842k). The measurement of these liabilities would change in the event that key assumptions underlying their valuation changed.

If the discount rate were to decrease by 0.5%, liabilities would be measured at £8,214k (2016: £4,303k)

If the salaries rate were to increase by 0.5%, liabilities would be measured at £7,329k (2016: £3,957k)

If the pension rate were to increase by 0.5%, liabilities would be measured at £8,084k (2016: £4,188k)

The Academy Trust's share of the assets in the scheme	2017 Fair value £'000	2016 Fair value £'000
Equities	1,759	1,800
Bonds	463	234
Property	278	234
Other assets	586	70
Total market value of assets	3,086	2,338
 Actual return on scheme assets - gain/(loss)	 336	 317

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FOR THE YEAR ENDED 31 AUGUST 2017

20 Pensions and similar obligations

Amounts recognised in the statement of financial activities	2017 £'000	2016 £'000
Current service cost	610	333
Interest income	(50)	(69)
Interest cost	101	97
Total operating charge	661	361
Changes in the present value of defined benefit obligations	2017 £'000	2016 £'000
Obligations at 1 September 2016	3,842	2,439
Obligations acquired on conversion	2,768	-
Current service cost	610	333
Interest cost	101	97
Employee contributions	108	84
Actuarial (gain)/loss	(182)	916
Benefits paid	(34)	(27)
At 31 August 2017	7,213	3,842
Changes in the fair value of the Academy Trust's share of scheme assets	2017 £'000	2016 £'000
Assets at 1 September 2016	2,338	1,721
Interest income	50	69
Actuarial gain	286	248
Employer contributions	338	243
Employee contributions	108	84
Benefits paid	(34)	(27)
At 31 August 2017	3,086	2,338
Total pension scheme liabilities / obligations	(7,213)	(3,842)
Total pension scheme assets	3,086	2,338
Net Defined Benefit Pension liability	(4,127)	(1,504)

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FOR THE YEAR ENDED 31 AUGUST 2017

21 Reconciliation of net income to net cash flows from operating activities

	2017 £'000	2016 £'000
Net income for the reporting period	37,850	481
Adjusted for:		
Net surplus on conversion to academy	(16,763)	-
Capital grants from DfE/ESFA and other capital income	(21,430)	(23)
Investment income receivable	(16)	(14)
Defined benefit pension costs less contributions payable	272	90
Defined benefit pension net finance cost	51	28
Depreciation of tangible fixed assets	238	247
Profit on disposal of fixed assets	(1)	-
(Increase)/decrease in stocks	(22)	14
Decrease in debtors	23	58
Increase/(decrease) in creditors	913	(581)
Net cash provided by operating activities	1,115	300

22 Commitments under operating leases

At 31 August 2017 the total future minimum lease payments under non-cancellable operating leases were as follows:

	2017 £'000	2016 £'000
Amounts due within one year	5	-
Amounts due in two and five years	1	-
	6	-

**HEART ACADEMIES TRUST
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23 Related party transactions

Owing to the nature of the 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.

During the year, the Academy purchased services from Bedford College Further Education Corporation of £nil (2016: £10,086). No amount was owed to the Bedford College Further Education Corporation at the year end. Bedford College Further Education Corporation was a related party by virtue of the fact that it was a sponsor and member of the Academy however ceased to be during the year.

Sponsorship income of £nil (2016: £750,000) was receivable from the Harpur Trust, a registered charity (Charity Reg. 1066861). This was received in 2016/2017 and a balance of £nil (2016: £750,000) is included in debtors (falling due within one year).

A contribution towards the cost of uniforms of £1,500 (2016: £1,700) was also receivable from The Harpur Trust and is included in income. At the balance sheet date £500 (2016: £200) 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 2016.

24 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.

25 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 2017 the Trust received £26,057 (2016: £20,264) and disbursed £24,367 (2016: £25,332) from the fund. An amount of £15,593 (2016: £13,903) is included within creditors: amounts falling due in less than one year relating to undistributed funds.

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FOR THE YEAR ENDED 31 AUGUST 2017

26 Conversion to an academy

On 01 June 2017 Cauldwell Lower School, Shackleton Primary School and Shortstown Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to HEART Academies Trust from the Bedford Borough Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations – transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

Academy	Location	Date of conversion
Cauldwell Lower School	Bedford	1 June 2017
Shackleton Primary School	Bedford	1 June 2017
Shortstown Primary School	Bedford	1 June 2017

Net assets transferred:	2017 £'000
Leasehold land and buildings	18,964
Other tangible fixed assets	72
Cash	495
LGPS pension surplus/(deficit)	(2,768)
	<u>16,763</u>

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total 2017 £'000
Funds surplus/(deficit) transferred:				
Fixed assets funds	-	-	19,036	19,036
LA budget funds	495	-	-	495
LGPS pension funds	-	(2,768)	-	(2,768)
	<u>495</u>	<u>(2,768)</u>	<u>19,036</u>	<u>16,763</u>

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26 Conversion to an academy

Amounts inherited above are analysed between the three academies as follows:

Cauldwell Lower School

Land & buildings	- £5,353k
Other fixed assets	- £64k
Cash	- £162k
LGPS deficit	- £(994)k

Shackleton Primary School

Land & buildings	- £5,633k
Other fixed assets	- £5k
Cash	- £126k
LGPS deficit	- £(1,011)k

Shortstown Primary School

Land & buildings	- £7,978k
Other fixed assets	- £3k
Cash	- £207k
LGPS deficit	- £(793)k