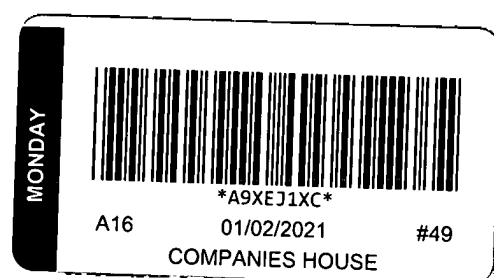


**HEART ACADEMIES TRUST**  
**(A COMPANY LIMITED BY GUARANTEE)**

**TRUSTEES' REPORT AND AUDITED ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**



# HEART ACADEMIES TRUST

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# HEART ACADEMIES TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Trustees

Mr D Hoare (RO) (Chair)<sup>1,2,3</sup>  
Mrs J Webster<sup>1,3</sup>  
Mrs S Clark<sup>1</sup>  
Ms R Jarrett<sup>1</sup>  
Mr L Spencer<sup>2</sup>  
Mr K Binley<sup>2,3</sup>  
Mr C Rooke<sup>3</sup> (appointed 17 October 2019)

Mrs D Rostron<sup>2</sup> (resigned 23 July 2020)

<sup>1</sup> member of the Education Committee

<sup>2</sup> member of the Finance and Operations Committee

<sup>3</sup> member of the Risk and Audit Committee

### Members

Mr M Stewart (Chair of the Harpur Trust)  
Mr D Hoare (Chair of Trustees)  
Mr R Wilkinson

### Executive Team

Chief Executive Officer  
Chief Finance Officer  
Chief Operating Officer  
School Improvement Director  
Academy Improvement Advisor

Mr D Morris  
Mr P Edmond  
Mrs L Archer  
Mrs A Crawte  
Mrs A Colledge-Orr (resigned 31 August 2020)

### 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

HSBC UK Bank PLC  
1, Centenary Square  
Birmingham  
United Kingdom  
B1 1HQ

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

The Trustees present their annual report together with the accounts and independent auditor's report of the charitable company for the year ended 31 August 2020. 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 2019/20 issued by the ESFA.

#### Structure, governance and management

Governance has continued to be a key area of focus for the Trust. The Trust Scheme of Delegation is now embedded and understood at all levels. The Board of Trustees have a wide array of expertise and skillset that challenges and supports the executive team of the Trust. A skills audit was carried out at the start of 2018/19 for the Board of Trustees and each Local Advisory Board, which identified strengths and weaknesses. Where weaknesses have been identified, a thorough recruitment process has been followed to fill any gaps. New Trustees are interviewed by the Chair of the Trustees and Members of the Trust. New governors on the Local Advisory Boards are interviewed by the Chair and the CEO before even going to the Board for ratification. The Chairs of the Local Advisory Boards meet with the Chair of the Board and the CEO half-termly to ensure transparency and clarity of direction of the Board. A first Governors conference was held in Bedford Academy in 2019 to bring Trustees and governors together and a full training programme is now in place to up skill governance across the Trust.

#### Constitution

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

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 2,790 and had a total roll of 2,363 in the January 2020 school census across its four schools (2,374 at January 2019).

School	Total Roll (January 2020)	Pupil Capacity
The Bedford Academy	1,130	1,440
Cauldwell	402	420
Shackleton	445	510
Shortstown	386	420
<b>Total</b>	<b>2,363</b>	<b>2,790</b>

In addition, Shortstown primary school had 62 children enrolled at its nursery.

#### Members' liability

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

#### Trustees' Indemnities

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

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

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

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

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

Trustees (other than the Sponsors and the CEO) 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, safeguarding, 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 & Operations Committee
- Education Committee
- Risk & Audit Committee
- Local Governing Bodies for each of the schools within the Trust

Each committee is formally constituted with terms of reference and comprises appropriately qualified and experienced members. The Trust Board delegates specific responsibilities to its committees, the activities of which are reported to and discussed at full Board of Trustee meetings. Trustees review the number and role of committees on a regular basis.

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

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

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

The Executive 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.

The pay of the Chief Executive Officer is ratified annually by the Board of Trustees, having regards to Trust policy and performance against objectives set the previous year.

The pay of other Executive Team members is also ratified annually by Trustees, again having regard to Trust policy, performance against previously agreed objectives and recommendations made by the Chief Executive Officer.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

#### Trade Union Facility Time

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

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

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

#### Relevant union officials

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

#### Percentage of time spent on facility time

Percentage of time	Number of Employees
0%	0
1% - 50%	3
51% - 99%	0
100%	0

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

Total Cost of facility time	£5k
Total Pay bill	£12,486k
Percentage of the total pay bill spent on facility time	0%

#### Paid trade union activities

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

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

#### Engagement with employees (including disabled persons)

The following statement summarises action taken during the period to introduce, maintain or develop arrangements aimed at:

- providing employees with information on matters of concern to them
- consulting employees or their representatives regularly so that the views of employees can be considered in making decisions which are likely to affect their interests
- encouraging the involvement of employees in the Trust's performance
- achieving a common awareness on the part of all employees of the factors affecting the performance of the Trust.
- The Trust's policy in respect of applications for employment from disabled persons, the treatment of employees who become disabled and the training, career development and promotion of disabled persons.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

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The Trust places immense value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Trust. This is achieved through formal and informal meetings, team briefings and internal newsletters/updates. Employee representatives are consulted regularly on a range of matters affecting their current and future interests.

In respect of disabled persons, the policy of the Trust is to support recruitment and retention of students, staff and Trustees/Governors with disabilities. Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of all the schools. The Trust does this by adapting the physical environment, making support resources available and through relevant training. Our policy is to promote the career development and promotion of disabled persons, irrespective of the nature of their disability and we will provide whatever assistance we reasonably can do in order to support the individual in meeting their career goals, ensuring that there is a 'level playing field' for all.

#### Engagement with suppliers, customers and others in a business relationship with the trust

The Companies (Miscellaneous Reporting) Regulations 2018 introduce a requirement for large companies to include a statement in their directors' (trustees') report summarising how they have had regard to the need to foster the company's business relationship with suppliers, customers and others. The Charities Commission has also published a guide: Charities SORP Information Sheet 3: The Companies (Miscellaneous Reporting) Regulations 2018 and UK Company Charities. This recommends that charitable companies also consider their relationship with other stakeholders – for example beneficiaries, funders and the wider community.

The Trust recognises the importance of maintaining good business relationships with its suppliers. We have a clear procurement policy to ensure that suppliers are treated in an even-handed manner. The performance of, and relationship with, key suppliers is constantly monitored to ensure that we treat suppliers fairly, ensuring that payment terms are adhered to and that we comply with contractual obligations placed upon the Trust. We encourage an open and ongoing dialogue with suppliers to ensure that we conduct our business with them in a professional commercial manner. Procurement 'performance' is reported to the Finance & Operations Committee on a regular basis to help ensure appropriate scrutiny and challenge.

Our objects and aims, described below, put students at the heart of all that we do. We have described our main achievements within the Strategic Report and also how we have performed against our objectives. We are committed to ensuring that we maintain strong and effective relationships with students, parents and wider stakeholders in the community.

#### **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 expand the number of schools within the Trust
- To continue to develop exceptional learning communities
- To further develop a school improvement strategy to enable positive impact on outcomes for students.

##### 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

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

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#### Strategic Report

#### Achievements and performance

##### Achievements in the year

In common with the wider education sector, 2019/20 proved to be one of real challenge for HEART Academies Trust. At the outset, the Trust's plan was to build on the success of the previous year with a renewed focus on embedding collaboration throughout the Trust. Challenging, yet achievable, educational targets were set and our schools were all prepared for imminent OFSTED inspections.

**Bedford Academy** (Headteacher – Mr. C Deller) was looking to build on a 2018/19 positive Progress 8 figure of 0.34. The school has an established Senior Leadership team and a clear set of expectations for staff and students - the 'BA way' - modelled on key themes of Attendance, Lessons, Conduct, Uniform, Rights and Responsibilities and Environment. The BA way themes were designed to help raise aspirations and achievement through a consistent approach to teaching and learning. In 2019 Bedford Academy won 'Best School or College of the Year' at the Careers Excellence Awards, highlighting the incredible work and best practice provided in the school to inspire and prepare our young people for the world of work.

**Cauldwell Primary School** (Headteacher – Mrs. J Apps) continued to be a beacon of light in a community facing real challenges. Mathematics continues to be a strength with progress measures consistently above national average. Improving reading outcomes was a key focus for 2019/20 with evidence of substantial progress emerging in autumn and spring terms.

**Shackleton Primary School** (Headteacher – Mr A George) focussed on embedding the good practice that had been developed in the latter stages of the previous academic year. The schools' newly formed Senior Leadership Team continued its work to improve standards and outcomes throughout the school. The early years environment was transformed and teaching and learning showed evidence of further improvement. The Shackleton team also worked hard to strengthen relationships within the community; several events designed to engage parents resulted in increasing numbers attending school to watch their child perform or look at the child's work.

**Shortstown Primary School** (Headteacher Mrs. D Cotton) moved forward in the first part of 2019/20 in closing the gap to national data. Good teaching led to improvements in the targeted areas. Data prior to March 2020 showed progress in reading in both Key stage 1 and Key stage 2, moving attainment closer to national average. Shortstown continues to offer outstanding support for children with special educational needs resulting in a higher than average percentage of children with special educational needs attending the school.

A common development across the Trust primary schools in early 2019/20 was the 'Mind Map' initiative, a project designed to provide a common language for emotional literacy and positive, lasting impacts on behaviour. Whilst in its early stages, the Mind Map project had a particularly powerful impact throughout the COVID pandemic when children were having to cope with extra, unforeseen stresses.

#### **COVID-19 and lockdown**

In March 2020 our schools were forced to close to all children other than the most vulnerable and those from key worker families. In response the Trust implemented a risk-assessed recovery and continuity plan which involved full closure of all three primary schools and transfer of educational provision to our largest school, Bedford Academy. The key objectives of the continuity plan were to ensure:

- staffing and resources could be shared and deployed effectively;
- education and support could be maintained, both to children in school and those at home;
- the health and wellbeing of staff and children could be protected at all times.

Staff were divided into teams according to their skills and experience. A four-week rota was introduced, with teams alternating between school and home-working where it was safe to do so (vulnerable staff worked permanently from home). As a minimum, each team had expertise in school leadership, child safeguarding, SEND support, family support, early years, primary and secondary education, first aid, mini-bus driving, building management and school administration. The team structure and skills mix meant that any child attending Bedford Academy during lockdown was fully supported at all times.

Teachers and education support staff working from home were tasked with lesson planning, supporting children not in school and ensuring all families were contacted on a regular basis.



# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

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School support teams – Catering, Finance, IT, HR, Facilities – were charged with delivering high-quality provision to both the school-based and home-based teams. The work of the support teams was just as critical to the success of the Trust during the lockdown period as that of their education colleagues.

- The Catering team served food throughout lockdown and when the schools re-opened in June. The team put together 500 food bags on the day before lockdown to help some of our most vulnerable families. In advance of the government voucher scheme for free school meal pupils the Catering team provided 1,406 food bags and also worked in partnership with the local foodbank to ensure food got through as quickly as possible. All staff and children that attended Bedford Academy were given free breakfast and lunch throughout the lockdown period; free provision was extended up until the last day of the summer term. Following the launch of the voucher scheme the school Administration teams issued in excess of 9,000 free school meal vouchers.
- The Trust Operations team worked tirelessly to ensure our schools were safe places for children and staff. The team developed extensive COVID-specific risk assessments and action plans tailored to each location. The work of the Operations team meant education colleagues were free to concentrate on educating and supporting the children. All schools were deep-cleaned and, in line with Public Health England guidance, made safe to re-open as soon as it was possible to do so.

#### **Remote teaching and learning**

Prior to COVID-19 the Trust did not have infrastructure or resources dedicated to provide a full teaching timetable through a virtual school. Within the communities served by the Trust a significant proportion of children do not have access to a laptop or tablet device and do not have readily available broadband. To overcome barriers to learning caused by COVID-19, the Trust school teams initially planned and set work through a range of channels:

- For children with access to IT, education materials were made available via the school website and third-party websites and applications (e.g. E-Praise, Purple Mash, Class Dojo, My Maths, Timetable Rockstars). Third-party websites allowed staff to set work and students to return work for marking and feedback.
- For children with limited or no access to IT, workbooks, texts and physical packs were delivered to families and made available at the school reception.

Following lockdown, the IT team, working with the Trust Digital Strategy team, focussed its efforts on improving school remote teaching capabilities and improving access to IT hardware for children in need. Steps taken included:

- The purchase of 130 Chromebook laptops that were loaned to Bedford Academy year 9 and 10 pupils and a number of primary school families. Loan laptops were supplemented by 48 laptops and 16 broadband routers donated to the Trust from the DfES and a financial grant of £6,717 from Bedford Borough.
- Investment in Microsoft Teams online classroom and Planet E-Stream video technology. Building online teaching capacity began in April and by early June the software was launched to staff and pupils. Work on this project continued throughout summer to ensure all trust schools were in a strong position to teach remotely from the start of the 2020/21 academic year.
- In parallel, the Trust developed policies and procedures to ensure remote teaching could be done safely and to a high quality. The Trust commissioned RM Education to carry out an independent audit of the design and deployment of Microsoft Teams to ensure security and safeguarding guidance issued by the DfES was met.
- The Trust joined the DfES 'EdTech demonstrator programme' to learn and develop best practice from other Microsoft partner schools. In addition, the Trust collaborated with a number of other schools and Trusts to help further develop our digital strategy including Academies Enterprise Trust (AET), Chiltern Learning Trust and Bedford Modern. In June the Trust also met with representatives of Big Local (Local Trust) and the Open University to explore opportunities for collaboration, both in terms of financial support and digital offering to families and children.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

**FOR THE YEAR ENDED 31 AUGUST 2020**

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### **Summary**

The COVID-19 pandemic created many unforeseen challenges for the Trust but the effect was to bring our teams closer together, everyone working in collaboration for the benefit of our children and the communities we serve. Our staff showed incredible resilience and determination, working in changing environments with colleagues from different schools and key stages. Following the relaxation of lockdown restrictions in June and the reopening of the Trust primary schools, pupils were welcomed back, increasing in number on a weekly basis in line with government advice. Throughout the period, the safety and wellbeing of staff and pupils remained a paramount concern as did the delivery of consistent levels of education via live lessons, online tasks or physical work packs. Whilst far from ideal the Trust adapted and remains proud of what was achieved.

### **Key financial performance indicators**

The net revenue deficit for the year of £292k (before capital income and expenditure, depreciation or the pension revaluation) was the result of a number of factors, including:

- The decision to retain a team of central Trust Learning Consultants to support educational improvement at our schools, specifically Bedford Academy and Shackleton. Up to March 2020 (pre-COVID), Bedford Academy also required unbudgeted teacher and education support agency staff to fill temporary vacancies and/or cover for staff absence.
- Above budget contribution to capital expenditure as a consequence of successfully bidding for four Condition Improvement grants, one for each school.
- Pupil numbers enrolled at Bedford Academy sixth form were 25 below expectations. This was in part the result of increased further education competition in the local area.

In addition to day-to-day revenue expenditure the Trust also invested in capital additions of £394k over the course of 2019/20.

The Trustees approved a budget for 2019/20 incorporating several key financial performance indicators. This included payroll costs (excl FRS 102 adjustments arising from annual valuation) as a % of total revenue not exceeding 79%. The actual payroll cost % for the year was 82%. The reasons for missing the budget target are set out above.

### **Going concern**

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

### **Financial review**

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

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

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

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

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

#### **Spendable Funds**

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

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

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

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

The following balances held were held at 31 August:

<b>Fund</b>	<b>Category</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
GAG	Restricted General Funds	1,487	1,727
Other DfE/ESFA/LA Grants	Restricted General Funds	0	0
	<b>Sub-total General Restricted Funds</b>	<b>1,487</b>	<b>1,727</b>
Unspent Capital Grants	Restricted Fixed Asset Fund	53	0
Other Income	Unrestricted General Fund	974	991
	<b>Sub-Total Spendable Funds</b>	<b>2,514</b>	<b>2,718</b>
Endowment	Restricted Endowment Fund	1,250	1,250
Net Book Value of Fixed Assets	Restricted Fixed Asset Fund	38,629	39,238
Share of LGPS Deficit	Restricted Pension Reserve	(9,067)	(5,614)
	<b>Total All Funds</b>	<b><u>33,326</u></b>	<b><u>37,592</u></b>

During the year under review, general restricted funds decreased by £240k (2019: decreased by £412k) and unrestricted general funds decreased by £17k (2019: increased by £56k). After LGPS valuation adjustments, depreciation and capital income and expenditure, overall funds decreased by £4,266k (2019: decreased by £2,936k).

#### Reserves policy

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

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

#### Investment policy

There are no investments held beyond cash and short-term money market deposits retained with the major UK clearing banks. Speculative investments are not permitted.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

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#### Principal risks and uncertainties

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

The COVID-19 pandemic significantly increased uncertainty and risk throughout the second half of the academic year, in a number of critical areas, and is expected to have a severe impact in 2020/21 and beyond.

- The majority of pupils attending Trust schools are from communities that are in the bottom 10% of deprivation and who have been hit disproportionately harder by the pandemic. The Trust has supported vulnerable families through regular contact, provision of food parcels and food vouchers, provision of loan IT equipment, as well as increased signposting to relevant support agencies.
- The risk of deteriorating educational outcomes has increased as a direct result of COVID-19. Barriers to effective learning include a higher than average percentage of the children in the HEART schools with limited or no access to computers or the internet at home; the capacity of parents to support effective home-learning during lockdown; and the ongoing disruption caused by the introduction of COVID-secure measures on normal school life. A range of measures were introduced to mitigate this risk including the development of remote (virtual) teaching and learning, physical workbooks sent home, a loan laptop scheme, online software packages designed to supplement classroom learning, and formalised catch-up plans for 2020/21.
- The 2019/20 budget was set in a pre-pandemic period. The financial impact of the pandemic has been significant, resulting in reduced income (for example, catering sales, community lettings) and increased costs (for example, cleaning and premises supplies). The particular nature of the pandemic meant lost revenues and increased costs were not covered under the Trust insurance policy, an issue that was tested at the High Court in September 2020. The financial cost of the pandemic has magnified the principal financial risk faced by the Trust that pressure on funding results in unaffordable deficits. The budgeting, forecasting and reporting processes, including scrutiny by the Executive team and Trustees of actual financial performance, mitigates the risk.

#### Other notable financial risks:

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.

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.

#### **Our fundraising practices**

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

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

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

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

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2020

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

There have been no complaints about fundraising activity this year.

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

#### Streamlined energy and carbon reporting (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force on 1 April 2019 for accounting periods commencing on or after that date. It requires large companies, as determined by sections 465 and 466 of the Companies Act 2006, which consume (in the UK) more than 40,000 kWh of energy in a reporting period to include in their annual reports energy and carbon information. In assessing whether the 40,000 kWh threshold is met, academy trusts must consider, as a minimum, all the energy from gas, electricity and transport fuel usage in the UK, that they are responsible for.

UK Greenhouse gas emissions and energy use data for the period 1 September 2019 to 31 August 2020	
Energy consumption used to calculate emissions (kWh)	3,335,668
Energy consumption break down (kWh) (optional)	
• gas	1,410,303
• electricity	1,380,801
• fuel oil	538,653
• transport fuel	5,911
<u>Scope 1 emissions in metric tonnes CO2e</u>	
Gas consumption	259
Fuel Oil consumption	125
Owned transport – mini-buses	1
<u>Total scope 1</u>	385
<u>Scope 2 emissions in metric tonnes CO2e</u>	
Purchased electricity	322
<u>Scope 3 emissions in metric tonnes CO2e</u>	
Business travel in employee owned vehicles	0
Total gross emissions in metric tonnes CO2e	708
<u>Intensity ratio</u>	
Tonnes CO2e per pupil	0.3

#### **Quantification and Reporting Methodology:-**

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

#### **Intensity measurement**

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per pupil, the recommended ratio for the sector.

# HEART ACADEMIES TRUST

## TRUSTEES' REPORT

**FOR THE YEAR ENDED 31 AUGUST 2020**

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### Measures taken to improve energy efficiency

- The Trust carried out extensive upgrade work on the Bedford Academy Building Management System (BMS) in 2019/20 to ensure it is managing the school heating and cooling systems effectively.
- We have increased video conferencing technology for staff meetings, to reduce the need for travel between sites.
- We are preparing Condition Improvement Fund (CIF) bids to support the replacement of oil-fired boilers at Shackleton and Cauldwell primary schools with modern, low emission, alternatives.
- We have submitted a bid to the government 'Low Carbon Skills Fund' to undertake a detailed energy audit of the Trusts 4 schools prior to submitting a detailed application to the Public Sector Decarbonisation Scheme (PSDS) in 2020/21.

### Plans for the future

The Strategic Plan for 2017 – 2020 was to achieve a year-on-year improvement in student outcomes. Trustees 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.

Looking ahead as the Trust develops its strategic plan for its next phase of development, the immediate priority will be concentrating on ensuring children and students can catch up on education they have missed during the lockdown. Each Trust school has a detailed, funded, curriculum catch-up plan. The Trust is focused on closing the attainment gap between disadvantaged and advantaged children. A new School Improvement Director – Mrs. A Crawte - has been appointed to lead on education across the Trust and support each school.

A second priority is the growth of the Trust through the addition of schools. Trustees are targeting local growth, building on the close collaboration that comes from groups of schools working together. Whilst recognising that COVID-19 may limit opportunities for growth in the short-term, Trustees believes growth would strengthen the Trust both in terms of its educational success and its financial resilience and effectiveness.

### Funds held as custodian trustee

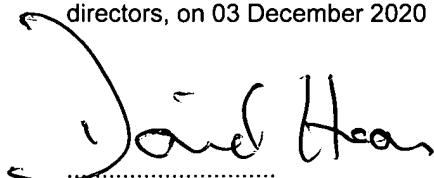
No funds are held on behalf of others.

### 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 03 December 2020 and signed on the Board's behalf by:



Mr D Hoare

Chair of Trustees

# HEART ACADEMIES TRUST

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2020**

### 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 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 7 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Appointed	Resigned	Full Trust Board <sup>1</sup>	
			Meetings attended	Out of a possible
Mr D Hoare (Chair of Trustees)			7	7
Mrs J Webster			6	7
Mrs S Clark			7	7
Ms R Jarrett			7	7
Mr L Spencer			6	7
Mr K Binley			7	7
Mr C Rooke	17/10/2019		6	6
Mrs D Rostron		23/07/2020	6	7
<b>Total</b>			<b>52</b>	<b>55</b>

### 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. The Board underwent a full, independent, governance survey in 2018/19 led by a National Leader of Governance. The review led to the appointment of a new, highly experienced, Chair and two new Trustees. The Trustee recruitment process was supported by Academy Ambassadors. The Trust is actively trying to recruit another Trustee from an educational background to support the current education lead on the Board.

In addition to new appointments, the Trust has rewritten the Trustee induction process, reviewed the Scheme of Delegation and reviewed the membership, roles and responsibilities of its Local Advisory Boards (LAB), the equivalent of the more traditional Local Governing Body (LGB). A revised calendar of training for Trustees and Governors has been also been introduced covering safeguarding, data, OFSTED and finance.

# HEART ACADEMIES TRUST

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2020**

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

			Finance and Operations	
Trustee	Appointed	Resigned	Meetings attended	Out of a possible
Mr K Binley (Committee Chair)			3	3
Mr D Hoare (Chair of Trustees)			2	3
Mr L Spencer			3	3
Mrs D Rostron		23/07/2020	3	3
<b>Total</b>			<b>11</b>	<b>12</b>

The Risk and Audit Committee is a sub-committee of the main board of Trustees. The Committee's purpose is to ensure the Trust has robust risk management policies and procedures, that the Trust has a strong system of internal controls and that such controls are regularly audited by independent experts. Attendance at meetings of the Risk and Audit Committee during the year was as follows:

			Audit and Risk Committee	
Trustee	Appointed	Resigned	Meetings attended	Out of a possible
Mr C Rooke (Committee Chair)	03/12/2019		2	2
Mr D Hoare (Chair of Trustees)			2	2
Mrs J Webster (Chair of the Education Committee)			2	2
Mr K Binley (Chair of the Finance Committee)			2	2
<b>Total</b>			<b>8</b>	<b>8</b>

### Review of Value for Money

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

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

Monthly management reports are prepared by the Finance Office and are reviewed by the Chief Finance Officer and the Finance & Operations Committee at their termly meetings. Management accounts are distributed to Trustees on a monthly basis in full accordance with the Academies Financial Handbook. Trustees monitor the reserves levels in order to ensure that they are sufficient to support the development plans for the Academy Trust.



# HEART ACADEMIES TRUST

## GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 31 AUGUST 2020

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

In addition to robust budgeting and financial reporting:

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

#### 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 ended 31 August 2020 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 ended 31 August 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

#### The risk and control framework

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

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

During the year, a revised FRC ethical standard for auditors was published stating that a firm providing external audit to an entity shall not also provide internal audit services to it (subject to transitional arrangements which permit existing audit engagements at 15 March 2020 to conclude). Prior to publication, Baxter & Co provided both internal and external audit services to the Trust. In response, the Board of Trustees considered the need for a specific internal audit function and appointed an experienced internal auditor, TIAA Ltd. Baxter & Co has confirmed that in accordance with the ethical standard, having concluded their engagement to support the Trustees for 2019/20, they will no longer provide internal scrutiny services.

# HEART ACADEMIES TRUST

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2020**

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Checks carried out by Baxter & Co during 2019/20 included:

- Testing of payroll
- Review of other governance requirements (Regularity, Propriety and Compliance)
- Review of management support to Finance staff

Checks carried out by TIAA Ltd during 2019/20 included testing of:

- Risk management systems
- ICT systems and cyber-security
- Procurement policies and procedures
- Human Resource policies and procedures

Trustees were satisfied that TIAA and Baxter & Co delivered their schedule of work as planned. No material control weaknesses were noted from the programme of checking work.

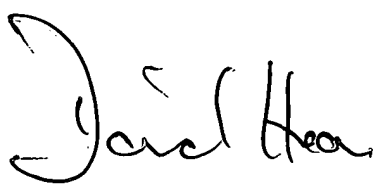
### **Review of effectiveness**

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Risk & Audit 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 03 December 2020 and signed on its behalf by:



Mr D Hoare  
Chair of Trustees



Mr D Morris  
Accounting Officer

# HEART ACADEMIES TRUST

## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

***FOR THE YEAR ENDED 31 AUGUST 2020***

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As accounting officer of HEART Academies Trust, I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

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 2019.

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.



Mr D Morris  
**Accounting Officer**

03 December 2020

# HEART ACADEMIES TRUST

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

**FOR THE YEAR ENDED 31 AUGUST 2020**

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The trustees (who are also the directors of HEART Academies Trust for the purposes of company law) are responsible for preparing the Trustees' report and the Financial Statements in accordance with the Academies Accounts Direction 2019 to 2020 published 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:

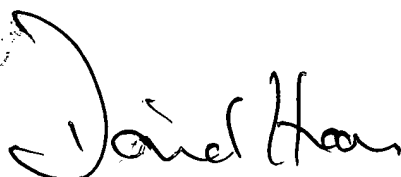
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting 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 members of the Board of Trustees on 03 December 2020 and signed on its behalf by:



Mr D Hoare  
Chair of Trustees

# HEART ACADEMIES TRUST

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

**FOR THE YEAR ENDED 31 AUGUST 2020**

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### Opinion

We have audited the Financial Statements of HEART Academies Trust for the year ended 31 August 2020 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 2019 and the Academies Accounts Direction 2019 to 2020 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 2020 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 2019 and the Academies Accounts Direction 2019 to 2020.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

# HEART ACADEMIES TRUST

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

**FOR THE YEAR ENDED 31 AUGUST 2020**

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

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

- the information given in the Trustees' Report including the incorporated Strategic Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Trustees' report including the incorporated strategic report 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.

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

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

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

# HEART ACADEMIES TRUST

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

**FOR THE YEAR ENDED 31 AUGUST 2020**

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### **Use of our report**

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



**David John Walsh FCCA (Senior Statutory Auditor)**  
**For and on behalf of Baxter & Co**  
**Statutory Auditor**  
**Chartered Certified Accountants**  
Lynwood House  
Crofton Road  
Orpington  
Kent  
BR6 8QE

Dated: 16 December 2020

# HEART ACADEMIES TRUST

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

**FOR THE YEAR ENDED 31 AUGUST 2020**

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In accordance with the terms of our engagement letter dated 1 November 2012 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, 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 2019 to 31 August 2020 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 2019, 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 2019 to 2020. 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 2019 to 31 August 2020 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 2019 to 2020 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 internal scrutiny implemented by the Academy Trust in order to comply with its obligations under 3.1 of the Academies Financial Handbook 2019, issued by the ESFA.



# HEART ACADEMIES TRUST

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

**FOR THE YEAR ENDED 31 AUGUST 2020**

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### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2019 to 31 August 2020 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: 16 December 2020

# HEART ACADEMIES TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	Unrestricted Funds £'000	Restricted funds: General £'000	Endowment Fixed asset £'000	Funds £'000	Total 2020 £'000	Total 2019 £'000
<b>Income and endowments from:</b>							
Donations and capital grants	3	50	3	184	-	237	168
Charitable activities:							
- Funding for educational operations	4	326	14,052	-	-	14,378	14,004
Other trading activities	5	136	-	-	-	136	203
Investments	6	18	-	-	-	18	15
<b>Total</b>		<u>530</u>	<u>14,055</u>	<u>184</u>	<u>-</u>	<u>14,769</u>	<u>14,390</u>
<b>Expenditure on:</b>							
Raising funds	7	61	1	-	-	62	59
Charitable activities:							
- Educational operations	9	521	14,673	1,003	-	16,197	15,997
<b>Total</b>	7	<u>582</u>	<u>14,674</u>	<u>1,003</u>	<u>-</u>	<u>16,259</u>	<u>16,056</u>
<b>Net expenditure</b>		(52)	(619)	(819)	-	(1,490)	(1,666)
Transfers between funds	19	35	(298)	263	-	-	-
<b>Other recognised gains/(losses)</b>							
Actuarial losses on defined benefit pension schemes	21	-	(2,776)	-	-	(2,776)	(1,270)
<b>Net movement in funds</b>		(17)	(3,693)	(556)	-	(4,266)	(2,936)
<b>Reconciliation of funds</b>							
Total funds brought forward		<u>991</u>	<u>(3,887)</u>	<u>39,238</u>	<u>1,250</u>	<u>37,592</u>	<u>40,528</u>
Total funds carried forward		<u>974</u>	<u>(7,580)</u>	<u>38,682</u>	<u>1,250</u>	<u>33,326</u>	<u>37,592</u>

# HEART ACADEMIES TRUST

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

FOR THE YEAR ENDED 31 AUGUST 2020

SUPPLEMENTARY NOTE:  
COMPARATIVE INFORMATION FOR THE  
YEAR ENDED 31 AUGUST 2019

	Notes	Unrestricted Funds £'000	Restricted funds: General £'000	Endowment Fixed asset £'000	Funds £'000	Total 2019 £'000
<b>Income and endowments from:</b>						
Donations and capital grants	3	15	3	150	-	168
Charitable activities:						
- Funding for educational operations	4	505	13,499	-	-	14,004
Other trading activities	5	203	-	-	-	203
Investments	6	15	-	-	-	15
<b>Total</b>		<u>738</u>	<u>13,502</u>	<u>150</u>	<u>-</u>	<u>14,390</u>
<b>Expenditure on:</b>						
Raising funds	7	56	3	-	-	59
Charitable activities:						
- Educational operations	9	626	14,365	1,006	-	15,997
<b>Total</b>	7	<u>682</u>	<u>14,368</u>	<u>1,006</u>	<u>-</u>	<u>16,056</u>
<b>Net income/(expenditure)</b>		56	(866)	(856)	-	(1,666)
Transfers between funds	19	-	(57)	57	-	-
<b>Other recognised gains/(losses)</b>						
Actuarial losses on defined benefit pension schemes	21	-	(1,270)	-	-	(1,270)
<b>Net movement in funds</b>		56	(2,193)	(799)	-	(2,936)
<b>Reconciliation of funds</b>						
Total funds brought forward		935	(1,694)	40,037	1,250	40,528
Total funds carried forward		<u>991</u>	<u>(3,887)</u>	<u>39,238</u>	<u>1,250</u>	<u>37,592</u>

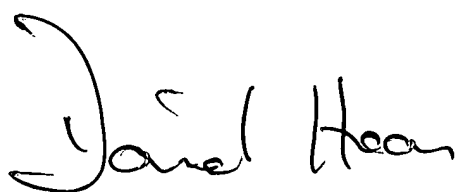
# HEART ACADEMIES TRUST

## BALANCE SHEET

AS AT 31 AUGUST 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	13		38,629		39,238
<b>Current assets</b>					
Stocks	14	7		8	
Debtors	15	588		557	
Cash at bank and in hand		4,329		4,315	
		<u>4,924</u>		<u>4,880</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	16	(1,160)		(912)	
<b>Net current assets</b>			<u>3,764</u>		<u>3,968</u>
<b>Net assets excluding pension liability</b>			42,393		43,206
Defined benefit pension scheme liability	21		(9,067)		(5,614)
<b>Total net assets</b>			<u>33,326</u>		<u>37,592</u>
<b>Funds of the Academy Trust:</b>					
<b>Restricted funds</b>	19				
- Fixed asset funds			38,682		39,238
- Restricted income funds			1,487		1,727
- Pension reserve			(9,067)		(5,614)
- Endowment funds			1,250		1,250
<b>Total restricted funds</b>			<u>32,352</u>		<u>36,601</u>
<b>Unrestricted income funds</b>	19		<u>974</u>		<u>991</u>
<b>Total funds</b>			<u>33,326</u>		<u>37,592</u>

The Financial Statements on pages 24 to 50 were approved by the Trustees and authorised for issue on 03 December 2020 and are signed on their behalf by:



Mr D Hoare  
Chair of Trustees

Company Number 06969741

# HEART ACADEMIES TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Net cash provided by/(used in) operating activities	22		206		(424)
<b>Cash flows from investing activities</b>					
Dividends, interest and rents from investments		18		15	
Capital grants from DfE Group		184		150	
Purchase of tangible fixed assets		(394)		(207)	
<b>Net cash used in investing activities</b>			(192)		(42)
<b>Net increase/(decrease) in cash and cash equivalents in the reporting period</b>			14		(466)
Cash and cash equivalents at beginning of the year			4,315		4,781
<b>Cash and cash equivalents at end of the year</b>			4,329		4,315

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2020

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#### 1 Accounting policies

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

##### 1.1 Basis of preparation

The Financial Statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their Financial Statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

##### 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 Income

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

##### Grants

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

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

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

##### Sponsorship income

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

##### Donations

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

---

#### 1 Accounting policies

##### Other income

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

##### Donated goods, facilities and services

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

##### Donated fixed assets

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

#### 1.4 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

##### Expenditure on raising funds

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

##### Charitable activities

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

#### 1.5 Tangible fixed assets and depreciation

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

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

---

#### 1 Accounting policies

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

Leasehold land and buildings	50 years (Straight Line)
Assets under construction	Not depreciated.
Computer equipment	3 years (Straight Line)
Fixtures, fittings & equipment	3 years (Straight Line)
Motor vehicles	5 years (Straight Line)

#### Fixed Asset Transfer from Predecessor Schools

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

#### Land

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

#### Buildings

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

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

#### 1.6 Liabilities

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

#### 1.7 Leased assets

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

#### 1.8 Financial instruments

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

#### 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.



# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

---

#### 1 Accounting policies

##### Financial liabilities

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

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

#### 1.9 Stock

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

#### 1.10 Taxation

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

#### 1.11 Pensions benefits

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

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

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

#### 1.12 Fund accounting

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

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 1 Accounting policies

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

##### 1.13 Agency Arrangements

Where the Academy Trust acts as agent in collecting and / or distributing from the ESFA or others, and subsequent disbursements are excluded from the Statement of Financial Activities as the Trust does not have control over charitable application of the funds. The funds received and paid, and any balances held are disclosed in note 29.

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

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

##### Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2020. 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 2020 £'000	Total 2019 £'000
Private sponsorship	-	3	3	3
Capital grants	-	184	184	150
Other donations	50	-	50	15
	<u>50</u>	<u>187</u>	<u>237</u>	<u>168</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

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

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
<b>DfE / ESFA grants</b>				
General annual grant (GAG)	-	11,681	11,681	11,676
Other DfE group grants	-	1,784	1,784	1,308
	-	13,465	13,465	12,984
<b>Other government grants</b>				
Local authority grants	-	572	572	515
<b>Exceptional government funding</b>				
Coronavirus exceptional support	-	15	15	-
	-	587	587	515
<b>Other funding</b>				
Catering income	304	-	304	438
Other incoming resources	22	-	22	67
	326	-	326	505
<b>Total funding</b>	326	14,052	14,378	14,004

During the year and in response to Covid-19, the trust applied for ESFA grant to fund additional costs incurred in responding to the virus, such costs not being met by other grants. The income is included above as Exceptional government funding.

### 5 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Hire of facilities	94	-	94	156
Other income	42	-	42	47
	136	-	136	203

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 6 Investment income

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
Short term deposits	18	-	18	15

### 7 Expenditure

	Staff costs £'000	Non-pay expenditure Premises £'000	Other £'000	Total 2020 £'000	Total 2019 £'000
Expenditure on raising funds					
- Direct costs	61	-	1	62	59
Academy's educational operations					
- Direct costs	9,398	803	559	10,760	10,507
- Allocated support costs	3,238	1,171	1,028	5,437	5,490
	<u>12,697</u>	<u>1,974</u>	<u>1,588</u>	<u>16,259</u>	<u>16,056</u>

Net income/(expenditure) for the year includes:

	2020 £'000	2019 £'000
Fees payable to auditor for:		
- Audit	11	11
- Other services	10	14
Operating lease rentals	12	-
Depreciation of tangible fixed assets	1,003	1,006
Net interest on defined benefit pension liability	99	97

### 8 Central services

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

- human resources;
- financial services;
- catering services;
- school improvement;
- facilities and premises.

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

- percentage of GAG income of 5%.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 8 Central services

The amounts charged during the year were as follows:

	2020 £'000	2019 £'000
The Bedford Academy	374	545
Cauldwell Lower School	105	145
Shackleton Primary School	114	163
Shortstown Primary School	96	135
	<u>689</u>	<u>988</u>

### 9 Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Total 2019 £'000
<b>Direct costs</b>				
Educational operations	17	10,743	10,760	10,507
<b>Support costs</b>				
Educational operations	504	4,933	5,437	5,490
	<u>521</u>	<u>15,676</u>	<u>16,197</u>	<u>15,997</u>

	2020 £'000	2019 £'000
<b>Analysis of costs</b>		
<b>Direct costs</b>		
Teaching and educational support staff costs	9,398	8,989
Staff development	98	72
Depreciation	803	805
Educational supplies and services	282	373
Examination fees	103	138
Educational consultancy	59	77
Other direct costs	17	53
	<u>10,760</u>	<u>10,507</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 9 Charitable activities

#### Support costs

Support staff costs	2,660	2,637
Defined benefit pension scheme - staff costs (FRS102 adjustment)	578	414
Depreciation	200	201
Technology costs	257	232
Maintenance of premises and equipment	307	474
Cleaning	39	31
Energy costs	269	261
Rent, rates and other occupancy costs	232	225
Insurance	76	91
Security and transport	52	36
Catering	329	365
Defined benefit pension scheme - finance costs (FRS102 adjustment)	99	97
Other support costs	239	307
Governance costs	100	119
	<u>5,437</u>	<u>5,490</u>

### 10 Staff

#### Staff costs

Staff costs during the year were:

	2020 £'000	2019 £'000
Wages and salaries	9,077	8,923
Social security costs	849	817
Pension costs	1,982	1,538
Defined benefit pension scheme - staff costs (FRS102 adjustment)	578	414
Staff costs - employees	<u>12,486</u>	<u>11,692</u>
Agency staff costs	97	158
Staff restructuring costs	114	246
	<u>12,697</u>	<u>12,096</u>

Staff restructuring costs comprise:

Redundancy payments	-	68
Severance payments	114	178
	<u>114</u>	<u>246</u>

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

Included in staff restructuring costs is a single non-statutory/non-contractual severance payment of £49k 2019: £178k).

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

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#### 10 Staff

##### Staff numbers

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

	2020 Number	2019 Number
Teachers	146	143
Administration and support	236	243
Management	13	13
	<u>395</u>	<u>399</u>

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

	2020 Number	2019 Number
Teachers	139	136
Administration and support	153	157
Management	13	13
	<u>305</u>	<u>306</u>

##### Higher paid staff

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

	2020 Number	2019 Number
£60,000 - £70,000	5	7
£70,001 - £80,000	5	2
£80,001 - £90,000	2	1
£90,001 - £100,000	1	-
	<u>13</u>	<u>10</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 and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £535,000 (2019: £537,790).

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 11 Trustees' remuneration and expenses

None of the Trustees have been paid remuneration or have received other benefits from an employment with the Academy Trust.

During the year, travel and subsistence payments totalling £53 (2019: £198) were reimbursed or paid directly to 1 Trustee (2019: 1 Trustee).

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

#### 12 Insurance for Trustees and officers

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 £5,000,000 on any one claim and the cost for the year ended 31 August 2020 was £1,000 (2019: £1,000). The cost of this insurance is included in the total insurance cost.

#### 13 Tangible fixed assets

	Leasehold land and buildings	Assets under construction	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 September 2019	40,382	-	2,727	365	64	43,538
Additions	48	96	164	86	-	394
At 31 August 2020	40,430	96	2,891	451	64	43,932
<b>Depreciation</b>						
At 1 September 2019	1,559	-	2,399	279	63	4,300
Charge for the year	744	-	206	53	-	1,003
At 31 August 2020	2,303	-	2,605	332	63	5,303
<b>Net book value</b>						
At 31 August 2020	38,127	96	286	119	1	38,629
At 31 August 2019	38,823	-	328	86	1	39,238

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

#### 14 Stocks

	2020 £'000	2019 £'000
Catering stock	7	8



# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 15 Debtors

	2020 £'000	2019 £'000
VAT recoverable	66	101
Other debtors	261	175
Prepayments and accrued income	261	281
	<u>588</u>	<u>557</u>

#### 16 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	133	352
Other taxation and social security	192	197
ESFA creditors - abatement of GAG	102	-
Other creditors	223	6
Accruals and deferred income	510	357
	<u>1,160</u>	<u>912</u>

#### 17 Deferred income

	2020 £'000	2019 £'000
Deferred income is included within:		
Creditors due within one year	<u>246</u>	<u>201</u>
Deferred income at 1 September 2019	201	205
Released from previous years	(201)	(205)
Resources deferred in the year	<u>246</u>	<u>201</u>
<b>Deferred income at 31 August 2020</b>	<u>246</u>	<u>201</u>

Deferred income relates to trips to take place in 2020/21 of £1k (2019: £28k), the undistributed element of 16 - 19 bursary funding of £17k (2019: £18k), rates income of £54k (2019: £16k), Universal Infant Free School Meals funding received in advance of £83k (2019: £94k), Sports Premium funding received in advance of £41k (2019: £26k), capital income of £37k (2019: £15k), catering income in advance of £6k (2019: £4k) and tech support of £7k (2019: £nil).

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 18 Financial instruments

	2020 £'000	2019 £'000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	4,590	4,490
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	(722)	(514)

### 19 Funds

	Balance at 1 September 2019 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2020 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	1,727	11,681	(11,646)	(275)	1,487
Other DfE / ESFA grants	-	958	(958)	-	-
Pupil premium	-	826	(826)	-	-
Other government grants	-	587	(564)	(23)	-
Other restricted funds	-	3	(3)	-	-
Pension reserve	(5,614)	-	(677)	(2,776)	(9,067)
	<u>(3,887)</u>	<u>14,055</u>	<u>(14,674)</u>	<u>(3,074)</u>	<u>(7,580)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	38,787	-	(743)	-	38,044
DfE group capital grants	170	184	(75)	(35)	244
Capital expenditure from GAG and other funds	281	-	(185)	298	394
	<u>39,238</u>	<u>184</u>	<u>(1,003)</u>	<u>263</u>	<u>38,682</u>
<b>Restricted endowment fund</b>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
<b>Total restricted funds</b>	<u>36,601</u>	<u>14,239</u>	<u>(15,677)</u>	<u>(2,811)</u>	<u>32,352</u>
<b>Unrestricted funds</b>					
General funds	<u>991</u>	<u>530</u>	<u>(582)</u>	<u>35</u>	<u>974</u>
<b>Total funds</b>	<u>37,592</u>	<u>14,769</u>	<u>(16,259)</u>	<u>(2,776)</u>	<u>33,326</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

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#### 19 Funds

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

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

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 2020.

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

The Restricted Fixed Asset Fund represents the net book value of fixed assets £38,629k (2019: £39,238k), plus the unspent element of capital funds £53k (2019: £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 Governors, to support any of the Academy Trust's charitable purposes.

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 19 Funds

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

	Balance at 1 September 2018 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2019 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	2,139	11,676	(12,031)	(57)	1,727
Other DfE / ESFA grants	-	473	(473)	-	-
Pupil premium	-	835	(835)	-	-
Other government grants	-	515	(515)	-	-
Other restricted funds	-	3	(3)	-	-
Pension reserve	(3,833)	-	(511)	(1,270)	(5,614)
	<u>(1,694)</u>	<u>13,502</u>	<u>(14,368)</u>	<u>(1,327)</u>	<u>(3,887)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	39,561	-	(774)	-	38,787
DfE group capital grants	95	150	(75)	-	170
Capital expenditure from GAG and other funds	381	-	(157)	57	281
	<u>40,037</u>	<u>150</u>	<u>(1,006)</u>	<u>57</u>	<u>39,238</u>
 Restricted endowment fund	 <u>1,250</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>1,250</u>
 <b>Total restricted funds</b>	 <u>39,593</u>	 <u>13,652</u>	 <u>(15,374)</u>	 <u>(1,270)</u>	 <u>36,601</u>
<b>Unrestricted funds</b>					
General funds	935	738	(682)	-	991
	<u>935</u>	<u>738</u>	<u>(682)</u>	<u>-</u>	<u>991</u>
 <b>Total funds</b>	 <u>40,528</u>	 <u>14,390</u>	 <u>(16,056)</u>	 <u>(1,270)</u>	 <u>37,592</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 19 Funds

##### Total funds analysis by academy

	2020	2019
	£'000	£'000
Fund balances at 31 August 2020 were allocated as follows:		
The Bedford Academy	-	-
Cauldwell Lower School	-	-
Shackleton Primary School	-	-
Shortstown Primary School	-	-
Central services	3,711	3,968
Total before fixed assets fund and pension reserve	3,711	3,968
Restricted fixed asset fund	38,682	39,238
Pension reserve	(9,067)	(5,614)
Total funds	33,326	37,592

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

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

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

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 19 Funds

#### Total cost analysis by academy

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

	Teaching and educational support staff £'000	Other support staff costs £'000	Educational supplies £'000	Other costs excluding depreciation £'000	Total 2020 £'000	Total 2019 £'000
The Bedford Academy	4,927	1,387	152	1,161	7,627	7,354
Cauldwell Lower School	1,415	293	25	300	2,033	1,902
Shackleton Primary School	1,747	300	47	349	2,443	2,192
Shortstown Primary School	1,218	384	54	280	1,936	1,884
Central services	90	936	4	187	1,217	1,718
	<u>9,397</u>	<u>3,300</u>	<u>282</u>	<u>2,277</u>	<u>15,256</u>	<u>15,050</u>

### 20 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total Funds £'000
<b>Fund balances at 31 August 2020 are represented by:</b>					
Tangible fixed assets	-	-	38,629	-	38,629
Current assets	974	2,647	53	1,250	4,924
Creditors falling due within one year	-	(1,160)	-	-	(1,160)
Defined benefit pension liability	-	(9,067)	-	-	(9,067)
<b>Total net assets</b>	<u>974</u>	<u>(7,580)</u>	<u>38,682</u>	<u>1,250</u>	<u>33,326</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 20 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Endowment Funds £'000	Total Funds £'000
<b>Fund balances at 31 August 2019 are represented by:</b>					
Tangible fixed assets	-	-	39,238	-	39,238
Current assets	991	2,639	-	1,250	4,880
Creditors falling due within one year	-	(912)	-	-	(912)
Defined benefit pension liability	-	(5,614)	-	-	(5,614)
<b>Total net assets</b>	<b>991</b>	<b>(3,887)</b>	<b>39,238</b>	<b>1,250</b>	<b>37,592</b>

#### 21 Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedford Borough Council. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2016, and that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £222k (2019: £nil) were payable to the schemes at 31 August 2020 and are included within creditors.

##### Teachers' Pension Scheme

###### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers in academies. All teachers have the option to opt out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary. These contributions 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 2016 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 5 March 2019.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 21 Pension and similar obligations

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% employer administration charge);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million;
- an employer cost cap of 10.9% of pensionable pay; and
- the assumed real rate of return is 2.4% in excess of prices. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

#### Scheme Changes

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to the TPS in the period amounted to £1,218k (2019: £815k).

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 an unfunded multi-employer pension scheme. The Academy Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are a range from 18.6% to 26.6% for employers and from 5.5% to 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of Academy Trust 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	2020 £'000	2019 £'000
Employer's contributions	764	723
Employees' contributions	205	197
Total contributions	969	920



# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 21 Pension and similar obligations

Principal actuarial assumptions	2020 %	2019 %
Rate of increase in salaries	3.24	2.50
Rate of increase for pensions in payment/inflation	2.24	2.20
Discount rate for scheme liabilities	1.60 to 1.65	1.85 to 1.90

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

	2020 Years	2019 Years
Retiring today		
- Males	22.2	20.7
- Females	24.3	23.2
Retiring in 20 years		
- Males	23.4	21.7
- Females	26.1	24.7

Scheme liabilities have been measured at £15,136k (2019: £10,531k). They would have been measured at the following amounts in the event of changes in assumptions indicated:

	2020 £'000	2019 £'000
Discount rate - 0.1%	15,562	10,784
Salary rate + 0.1%	15,160	10,555
Pension rate + 0.1%	15,535	10,759

#### Defined benefit pension scheme net liability

Scheme assets	6,069	4,917
Scheme obligations	(15,136)	(10,531)
Net liability	(9,067)	(5,614)

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

	2020 Fair value £'000	2019 Fair value £'000
Equities	4,142	3,444
Bonds	983	774
Cash	367	231
Property	577	468
Total market value of assets	6,069	4,917

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

#### 21 Pension and similar obligations

The actual return on scheme assets was £319,000 (2019: £122,000).

Amount recognised in the Statement of Financial Activities	2020 £'000	2019 £'000
Current service cost	1,339	1,094
Past service cost	-	43
Interest income	(100)	(124)
Interest cost	199	221
Administration Expenses	3	-
Total operating charge	<u>1,441</u>	<u>1,234</u>

Changes in the present value of defined benefit obligations	2020 £'000
At 1 September 2019	10,531
Current service cost	1,339
Interest cost	199
Employee contributions	205
Actuarial loss	3,043
Benefits paid	(181)
At 31 August 2020	<u>15,136</u>

Changes in the fair value of the Academy Trust's share of scheme assets	2020 £'000
At 1 September 2019	4,917
Interest income	100
Actuarial (gain)/loss	267
Employer contributions	764
Employee contributions	205
Benefits paid	(181)
Administration Expenses	(3)
At 31 August 2020	<u>6,069</u>

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

### 22 Reconciliation of net expenditure to net cash flow from operating activities

	2020 £'000	2019 £'000
Net expenditure for the reporting period (as per the statement of financial activities)	(1,490)	(1,666)
Adjusted for:		
Capital grants from DfE and other capital income	(184)	(150)
Investment income receivable	(18)	(15)
Defined benefit pension costs less contributions payable	578	414
Defined benefit pension scheme finance cost	99	97
Depreciation of tangible fixed assets	1,003	1,006
Decrease/(increase) in stocks	1	(3)
(Increase) in debtors	(31)	(64)
Increase/(decrease) in creditors	248	(43)
<b>Net cash provided by/(used in) operating activities</b>	<b>206</b>	<b>(424)</b>

### 23 Analysis of changes in net funds

	1 September 2019 £'000	Cash flows £'000	31 August 2020 £'000
Cash	4,315	14	4,329

### 24 Commitments under operating leases

At 31 August 2020 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2020 £'000	2019 £'000
Amounts due within one year	13	10
Amounts due in two and five years	33	32
	46	42

### 25 Capital commitments

	2020 £'000	2019 £'000
Expenditure contracted for but not provided in the Financial Statements	93	-

At 31 August 2020 the trust was committed to the remaining costs of completing fire door projects at each academy. Total anticipated future costs at 31 August 2020 were expected to be 93k.

# HEART ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2020

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#### 26 Related party transactions

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

The Harpur Trust is a related party by virtue of the fact that it was a sponsor and member of the Academy Trust throughout the period. During the year payments of £15,930 (2019: £6,063) were made to the Harpur Trust. There was no balance outstanding at 31 August 2020. The Trust also received a grant of £3,300 (2019: £3,000) from Harpur Trust to subsidise the school uniform costs for year 7 pupils who qualify for free school meals.

In entering into these transactions, the Academy Trust has complied with the requirements of the Academies Financial Handbook 2019.

#### 27 Connected Charities

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

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

The Cauldwell School Fund has not been consolidated as it has separate trustees who control it. The results of the charity as per its most recently filed financial summary, for the year ended 31 August 2020, were as follows: Income of £6k (2019: £24k) and Expenditure of £10k (2019: £19k).

#### 28 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.

#### 29 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 2020 the Trust received £20,114 (2019: £23,566) and disbursed £20,941 (2019: £26,314) from the fund. An amount of £17,327 (2019: £18,154) is included within creditors: amounts falling due in less than one year relating to undistributed funds.