

PRESTON HEDGES ACADEMY TRUST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 AUGUST 2020



Company Limited by Guarantee
Registration Number: 08282041
(England & Wales)

CONTENTS

	Page
Reference and Administrative Details	3
Trustees' Report	4
Governance Statement	14
Statement on Regularity, Propriety and Compliance	18
Statement of Trustees' Responsibilities	19
Independent Auditor's Report on the Financial Statements	20
Independent Reporting Accountant's Report on Regularity	23
Statement of Financial Activities	25
Balance Sheet	26
Statement of Cash Flows	27
Notes to the Financial Statements	28

REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, TRUSTEES AND ADVISORS

Members	Dr P Walters Mrs Y Gill Mr C Gyles
Governors	Mr P Watson, CEO Mr L Gentry Mrs R Hickford Mrs W Pearmain (appointed 10 December 2019) Dr J Murray Mr D Hughes Mr N Prescott Mrs S Smith Mrs S Johnson (resigned 29 June 2020) Mr T Fidler (resigned 7 July 2020)
Headteacher/CEO	Mr P Watson
Executive Leadership Team	Mrs L Kerrison, Finance Director Mrs C Stewart, Principal Pineham School Mrs T Coles, Principal Parklands School Mrs C Cassidy, Principal (appointed 1 June 2020)
Senior Leadership Team	Mrs T Coles, Principal Parklands School Mrs L Kerrison, Finance Director Mrs C Stewart, Principal Pineham School
Principal and Registered Office	Preston Hedges Academy Trust Wootton Hope Drive Wootton Fields Northampton NN4 6BU
Company Registration Number	08282041
Independent Auditor	UHY Hacker Young (Birmingham) LLP 9-11 Vittoria Street Birmingham B1 3ND
Bankers	Lloyds Bank plc Northampton
Solicitors	Winkworth Sherwood Minerva House 5 Montague Close London SE1 9BB

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year from 1 September 2019 to 31 August 2020. The Annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

Structure, governance and management**Constitution**

The academy trust is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document of the academy trust.

The Trustees of Preston Hedges Academy Trust are also the directors of the charitable company for the purpose of company law.

The charitable company is known as Preston Hedges Academy Trust and was approved as an Academy Sponsor in August 2016. As at 1 September 2019 the Trust is made up of three schools with another school due to join the Trust on December 2020 and a further school to open in September 2021.

The principal activity of the Trust is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, managing and developing schools offering a broad curriculum.

Details of the Trustees who served during the year are included in the reference and administrative details on page 3.

Members' Liability

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

Trustees' Indemnities

In accordance with normal commercial practice, the charitable company has insurance in place to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on charitable company business.

Method of recruitment and appointment or election of Trustees

As determined by the Articles of Association any new Trustees must only be appointed if agreed by the Trust Board.

During this period one new Trustee was appointed to the Board.

Policies and procedures adopted for the induction and training of Trustees

All new Trustees undertake Trustee training as soon as possible after their appointment. A comprehensive induction programme is in place for all newly appointed Trustees. All Trustees are provided with a mentor who supports their induction and copies of Trust policies, procedures, minutes, accounts, budgets, plans and any other documents needed to undertake their role of Trustee effectively. The Trust annually reviews the skills and training requirements of Trustees (and LGB governors) and seeks to provide guidance and training appropriate to ensuring effective discharge of statutory duties and for effective governance in driving the strategic direction and leadership of the Trust (and its schools).

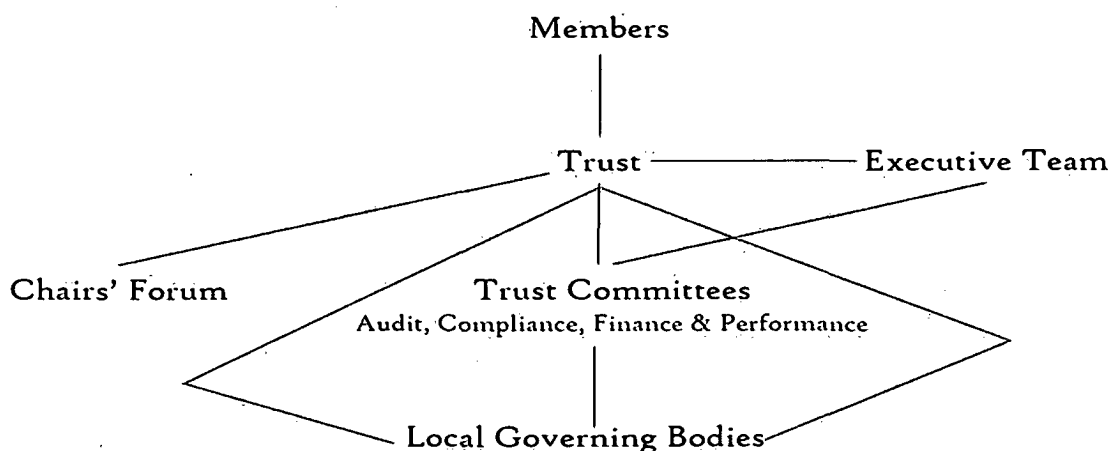
Organisational structure

The Academy Trust has adopted a scheme of delegation which identifies the level of autonomy for the Headteacher/CEO and Local Governing Body in making decisions where these are discretionary. Otherwise, decision making of the Trust Board is as contained in the funding agreement including the Articles and Memorandum of Association.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

Organisational structure (cont'd)

Our Structure is as follows:

**Members**

Independent Members x3

Trust Board

Members appointed x8 (including CEO)

Company Secretary

Senior Leadership Team

CEO

Finance Director

School Principals x2

Executive Leadership Team

CEO

Finance Director

School Principals x3

Trust Committees

Audit, Compliance, Finance & Performance. All of which have a Chair and Vice Chair and appropriate Trustees with support from our senior school leaders as required.

Local Governing Bodies

Our Local Governing Bodies comprise of a Chair, Vice Chair, CEO, Principal or Headteacher, seven Appointed Governors and two Parent Governors.

Objectives, Strategies and Activities**Our Purpose**

We believe that every child deserves an excellent education.

Our family of schools collaborate, support and innovate to give every child the best start in life.

We are proudly committed to improving the standards of education in Northamptonshire and Milton Keynes.

The education we provide is based on the ethos of Fun, Creativity and Achievement:

FUN

creating happy confident learners

CREATIVITY

providing exceptional curriculum experiences that sparks curiosity, imagination and encourages life-long learning

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Objectives, Strategies and Activities (cont'd)**

ACHIEVEMENT fulfilling every child's potential with the highest academic outcomes and preparing them as confident, tolerant and compassionate citizens in a global environment

Our Vision

- To be a high performing Trust, comparable to other Outstanding Trusts nationwide.
- With top quintile pupil outcomes and Ofsted ratings of Good or Outstanding.
- For each of our schools to be distinct to its context, supporting their community and making a positive difference locally.
- To maintain a culture where people make the difference and matter the most.
- To ensure our team are provided with the absolute best opportunities and experiences to develop and learn, through exceptional CPD.
- To ensure that well-being is central to what we do.
- To be a model of best practice and operational excellence across all aspects of our Trust.

Our Strategic Pillars

The Trust has four strategic pillars. The focus within each is as follows:

Growth

- November 2020 – Holne Chase Primary School to join the trust
- September 2021 – Buckton Fields Primary School opens

People

- Well-Being for all
- Flexible Working
- Tailored CPD
- Bespoke Performance Management
- Succession & Talent Mapping
- Highly effective recruitment and retention approach
- Defined culture and values that reinforces our relationships based organisation

Educational Excellence

- Exceptional curriculum opportunities & experiences
- Top quintile pupil outcomes
- Ofsted outcomes of good or outstanding
- Exceptional Well-Being provision
- Exceptional provision for pupil groups
- Exceptional Personal Development

Operational Excellence

- High quality Governance
- Highly efficient Central Function
- Effective Risk Management
- Robust Buildings and Capital management
- Clear Marketing and Branding strategy

Academy Trust Strategy

Growth and development of the Trust is in line with Preston Hedges Academy Trust strategy.

- Trustees and DFE are in talks for a 2 further schools to join the trust during 20/21.
- Confirmation received from the DFE for Buckton Fields 20/21 opening.
- Implications and timings of expansion plans identified and costed via a 5-year growth strategy, including investment to create central capacity, including any associated risks identified.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Academy Trust Strategy (cont'd)**

- Roles identified that are required to support growth strategy and are aligned to finance, recruitment and talent management.

Governance

Operational effectiveness of the Trust and individual schools at all levels of Governance is highly effective.

- New committees established/implemented.
- New Chairs/Vice Chairs supported and provided with necessary training.
- All LGBs' constitutions aligned to model in scheme of delegation.
- Newly appointed governors recruited with support of the Trust Board to address any skills gaps.
- Trust Board currently at 8 at the end of 19/20, with recruitment currently ongoing for a 9th Trustee.
- Governance skills audit established/undertaken and training identified for each LGB and Committee.

Finance

Highly effective central team led by Finance Director provide key financial information to key stakeholders, ensuring growth strategy is fulfilled

- Finance committee ensures Central team is functioning effectively, meeting all deadlines and has performance management in place.
- Ensure consistent financial reporting to the Trust Board, Finance Committee and LGBs.
- Trust Board ensures financial strategy in place to address the following: KPI's, benchmarks & centralisation of resources where appropriate.
- All financial policies are updated, reviewed and in place

Executive Leadership

The Executive Leadership Team utilise Trust resources to ensure sustained success for the PHAT Schools through collaboration, support and challenge. Our main priority at present is related to the ongoing pandemic:

- To ensure a full and effective response to Covid-19, through focussing on ensuring high quality learning, well-being for all, ongoing effective risk management and the continuation of our education both in school and remotely as required.

In addition, we have the following objectives:

Leadership & Management

- To ensure all Safeguarding processes are successfully embedded at Holne Chase
- To ensure all new Senior Leadership roles are successfully implemented through focused CPD and support

Quality of Education

- To successfully implement the catch up/recovery and national tutoring
- To ensure ICT, MFL & Music all successfully implemented Trust wide by January 2021
- To ensure the PHAT curriculum is fully implemented at Holne Chase by Summer 2021
- To ensure that each school fulfils its main priority in Reading to ensure individual school data priorities are achieved

Behaviour & Attitudes

- To successfully implement return to school/attendance plans linked to Covid, providing highly effective care and support in all our schools.

Personal Development

- To ensure all schools enhance their Well-Being/Values curriculum, giving due consideration to the Black Lives Matter movement

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Personal Development (cont'd)**

- To ensure that all schools consult on and implement the MAT Sex & Relationships Policy ready for February 2021
- To ensure Well-Being & Mental Health provision is embedded within the Trust to support our pupils as part of our Covid response

Early Years

- To ensure the MAT philosophy for Early Years is implemented/sustained/enhanced in all schools, with all settings being outstanding or securely good at external review

Pupil Outcomes

As ever the Trust has ensured the Executive Team have been focused on maintaining the high academic performance of the Trust.

Whilst there were no national outcomes for 2019-20 due to Covid the Trusts wider performance as detailed below remains very strong.

In EYFS for example, the Trust philosophy ensures that children within Trust schools have an exceptional start, gaining skills that lead to them being highly ready for KS1, with achievement that is significantly above national figures.

- At Preston Hedges, the proportion of children leaving EYFS at a 'Good Level of Development' has consistently been significantly above national statistics, with, over a 3-year average, 84% of pupils achieving GLD.
- At Pineham Barns, attainment has consistently been above national in all areas, with the most recent (2019) proportions of pupils achieving GLD being 82%.
- At Parklands, those same Trust processes ensured rapid improvement in attainment in EYFS, and within the first year of the Trust sponsoring the school, proportions of children leaving at GLD rose by 20%, and 81% of children attained GLD in Summer 2019

The Trust processes around phonics ensures that early reading has a robust focus and leads to the children within our schools leaving Year One as highly confident readers.

- At Preston Hedges, the proportion of children passing the phonics screening check have consistently been exceptionally high. The 3-year average is 97%.
- At Pineham Barns, proportions of pupils passing the phonics screening has been significantly above national since opening, with 92% passing the check in 2018, and 93% passing the check in 2019.
- At Parklands, in its first year as a Trust sponsored academy, the proportion of pupils passing the phonics screening check was 93%, which is an increase of 32% within its first year as a sponsored academy.

Our children make excellent progress throughout KS1, leading to strong proportions of children achieving at both age expected and greater depth levels.

- At Preston Hedges, KS1 attainment has been consistently high, and in 2019, 88% achieved at 'expected' levels across all subjects, achievement which is in the highest quintile of schools. Over a third of pupils achieved greater depth in all subjects, which is significantly above national figures.
- At Pineham Barns, KS1 attainment in 2019 was in line with, or above across all subject at age related expectations, with Writing and Maths in the top quintile of schools. The proportion of children who achieved greater depth was significantly above national figures.
- At Parklands, attainment at KS1 during its first year as an academy showed rapid and accelerated progress, with pupils attaining significantly above national in all subjects at age related expectations, and above national at greater depth. Proportions of pupils attaining RWM combined was 73%, which was significantly above national figures

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Pupil Outcomes (cont'd)**

Children in the Trust, through proven and rigorous learning structures, leave primary school with strong academic skills that ensure they are ready for their next stage of learning.

- At Preston Hedge's, attainment at KS2 has been consistently high at both age-related expectations and at the higher score. The 3-year average of pupils attaining age related expectations in RWM combined is 86%, and at the higher score is 25%. This is significantly above national statistics, and is in line with, or above, the top 20% of schools.
- At Parklands, KS2 attainment in its first year of being a sponsored academy, met national figures of 65% in age related expectations in RWM combined, for the first time in the school's history. At the higher score, RWM combined was 18%, which is above national figures, and is an 11% increase from attainment gained prior to the Trust sponsoring the school.

Although, due to Covid-19, schools were not able to complete the assessment cycle, predictions for Summer 2020 showed that all schools would have maintained or increased their high outcomes across all national assessment areas.

Covid Response

Our schools implemented a shared comprehensive strategy to enable our pupils to access education online or in school as vulnerable pupils or those identified in priority year groups.

All our schools were able to fulfil the Government's guidance through a comprehensive risk analysis and assessment, which was subject to externally scrutiny through our health and safety providers.

The Trust were also able to provide highly effective support to its most vulnerable pupils through free Sports Club provision during the holidays at Easter and May half term.

Compliance

Through the Trust risk management procedures, and risk register it has considered its principle risks and areas of uncertainty and planned mitigating action wherever possible.

The Risk Register shows one ongoing significant Operational risk to PHAT, relating to risks associated to the ongoing pandemic and the impact of this on our ability to provide a continuity of service. The Trust Board has mitigated this risk by breaking it into smaller risks which will then be reviewed again in December 2020 and with appropriate mitigations, we anticipate that the overall the risk will diminish.

The Trusts' risk management processes that have been implemented in response to the pandemic have been scrutinised by Public Health England and the Health and Safety Executive, who were both satisfied with all aspects of our provision.

The Trust Board and our committees continue to:

- Review the Highest Risk Matrix of the Risk Register at each meeting ensuring it is fully updated.
- Ensure the Compliance Committee review our compliance process at each meeting to ensure no ongoing non-compliance
- Ensure all significant non-compliance reported to the Board

Public Benefit

The Academy Trust Trustees have complied with their duty to have due regard to the guidance on public benefit as published by the Charity Commission in exercising their powers or duties. The trust has admitted students in accordance with its admissions policy for the benefit of the public.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Achievements and performance (cont'd)**

The Academy Trust and Trustees have successfully ensured that all our schools continue to perform superbly. Our external advisor and Ofsted inspector agreed in March 2020, that Pineham Primary School, was well placed to achieve Outstanding in its first inspection. This was reflected by a DFE Free School Inspection in this accounting period, which agreed with our judgement of Outstanding. Moreover, we are confident Parklands Primary School is now a good school and that Preston Hedges Primary School remains Outstanding.

In addition, we are delighted with the development and work of our Central Team, which will grow further in 2020/21 to a team of six providing support to our schools and insight to our Trustees and school leaders.

Going concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the 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 Accounting Policies.

Key performance indicators

We use a number of financial key performance indicators to monitor our financial success and progress improvement against target. The following KPIs have been applied to financial reporting and business monitoring.

Performance Indicator	MAT Average Benchmark	PHAT (exc Out of School Club)	PHP (exc Out of School Club)	PKL (exc Out of School Club)	PBP (exc Out of School Club)
Primary Pupil Numbers	900 – 1000	987	419	404	164
Staff % of Expenditure	75.08	75.08	79.34	75.85	66.23
Teaching Staff Salary per Pupil	£2,295	£2,295	£2,360	£2,097	£2,427
Education Support Staff Salary per Pupil	£447	£447	£415	£418	£598
Premises Costs per Pupil (inc Salaries)	£658	£658	£1,549	£1,606	£3,957
Curriculum Costs per Pupil	£159	£159	£126	£131	£256

Review of activities

The Trust pays for analysis, which enables it to compare its performance against that of the top quintile (20%) in England. On the majority of these, the trust performance is better than that achieved by top quintile.

The Trust's first school, Preston Hedges Primary School, continues to perform extremely well, achieving high outcomes. The Trust's second school, Pineham Barns, opened in September 2017 and has had a very effective third year and is now awaiting its first inspection. We anticipate it being Outstanding when inspected for the first time at some point after January 2021.

Parklands Primary School, which joined the school on 1 September 2018, has had an excellent second year. Parklands Primary was formerly a Special Measures school and the first task was to stabilise the school which has been fully achieved. We now believe it is a good school.

We now look forward to bringing Holne Chase Primary School into the trust on December 1st 2020, as our first school in Milton Keynes and opening Buckton Fields Primary School in September 2021.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Factors relevant to achieve objectives**

The key factor relevant to the Trust achieving the stated objectives relates to its growth and the expansion of the MAT. Particularly, as the MAT prepares for further growth and its fourth and fifth schools joining. The Trust must ensure it sustains sufficient capacity to fulfil its objectives and growth plans. To aid this the Trust successfully applied for TCAF bid which was approved by the DFE. The CEO has also been released to fulfil their role full-time. In addition, the TCAF funding has been used to expand the Central team, providing the Finance Director with additional capacity.

Financial Review

The majority of the Trust income is received from the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2020 and the associated expenditure of these grants are shown as Restricted Funds in the Statement of Financial Activities.

The Academy Trust receives grants for Fixed Asset Funds in the Statement of Financial Activities. The balance of the Restricted Fixed Asset Fund is reduced by depreciation charges on the assets acquired using these funds.

During the year ended 31 August 2020, the total expenditure (excluding depreciation charges and FRS 102 pension cost adjustments) of £4,181,000 (2019:£3,938,600) was covered by the recurrent grant funding from the ESFA, together with other incoming resources provided by Trust business activity (wraparound care, lettings and deployment).

The net book value of fixed assets at 31 August 2020 is £9,923,000 (2019:£3,377,434). The fixed assets held by the Academy Trust are used exclusively for providing education and associated support services to the pupils of the Academy Trust.

The balance of total funds held at 31 August 2020 was £9,302,000 (2019:£2,857,699) that comprised the following:

	2020	2019
	£	£
Restricted Pension Reserve deficit	(1,460,000)	(1,272,000)
Restricted Fixed Asset Fund	10,029,000	3,555,099
Restricted Funds	599,000	478,309
Unrestricted Funds	134,000	96,291

Financial risk management objectives and policies

The Trustees have assessed the major risks to which the Trust is exposed, in particular those related to the operations and finances/of the Trust, and are satisfied that systems and procedures are in place to mitigate its exposure to major risks.

- 1 Financial Risk - relating to financial stability. We have a reserves policy in place to ensure we remain financially viable. Financial policies and control procedures ensure that our financial data is timely, accurate and meaningful. The Trust uses the PS Financial system to meet its current and future business needs. The pension deficit is a risk to the academy and continually monitored to ensure the deficit and repayments are manageable.
- 2 Staffing - The Trust has increased the central team by appointing an additional Senior Finance Officer and a Finance Assistant will join in Autumn 2020 to add further capacity.
- 3 Building - The Trust has a Business Continuity Plan that puts in place measures, in the event of unforeseeable circumstances.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Reserves policy**

Our Trust reserves Policy is to hold 8% of the General Annual Grant (GAG) to cover capital works, legal fees and Trust Strategic development. Where a School is holding reserves that are in excess of 8% and/or the prudent level of reserves for the risks associated with the school, then a plan to use the reserves for the best interest of its children must be formed. Where reserves reach 12% of GAG without additional requirements the Trustees will consider transferring funds from the School to other areas in need across the Trust.

The Trust holds central reserves of £334,000 made up of restricted funds to reflect the 5% top slice. The Schools hold £399,000, which is currently being utilised for educational purposes within the 3 Year Budget Plan. The Trust hold total reserves of £733,000 made up of restricted and unrestricted funds.

The deficit on the pension reserve relates to the non-teaching staff pension scheme where, unlike the teachers' scheme, separate assets are held to fund future liabilities as discussed in note 27. The deficit can be met in the longer term from any combination of increased employer or employee contributions, increased government funding or changes to the scheme benefits.

Investment policy and performance

The Trust has an investment policy in place. Surplus funds are securely invested on a short term rolling period. The Finance Committee regularly review the policy and the funds that are invested.

Principal funding

Our principal funding is received through the ESFA General Annual Grant (GAG). We receive additional funding streams throughout the year which are variable.

Our structure for governance is three tiered. This consists of the Trust Board, the Trust committees and Local Governing Bodies.

Fundraising

Our approach to fundraising is to enable voluntary groups known as "Friends" of each School to raise funds. This practice does not involve the Friends working with our commercial partners.

Every Friends meeting is attended by a Senior Leader within the Trust to ensure any practice is in line with recognised standards. The Finance Director monitors any fundraising ideas through their reports to the Trust Board.

During 2019/20 there were no complaints made about any aspects of our fundraising practices. The Trust ensures the attendance of a Senior Leader at all meetings and fundraising activities. The Trust through regular evaluation ensures that all practices offer protection to the public, including vulnerable people and groups.

Plans for future periods**Future developments**

During this period of substantial change and growth, a key priority is to ensure stability and a consistency of approach.

As the Trust moves into 2020/21, a key priority will also to be ensure that its governance and trust structures remain highly effective and able to support the growth.

The above will shape the main developments during 2020/21.

Pay policy for key management personnel

The Trust has its own separate pay policy which includes an appraisal policy

It is reviewed annually by the Trust Board. The Trust Board has identified appropriate leadership pay spines for all its Senior Leadership Team and they are reviewed annually.

An external advisor provides support to this process to ensure it is sufficiently robust.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Trade union facility time**

Preston Hedges Academy Trust did not have a union official for the financial year 2019/20, during which we have had growth from an average of 70 FTE staff to 75 FTE Teaching and Educational Support Staff and 20 Administration and Support Staff. Our Trust has been proactive in engaging with the Trade Unions during the 2019/20 period and encourage union visits to our employees to discuss membership and the role of union official. We offer full support to employees who may wish to take on the role of union official and actively promote Trade Union relationships.

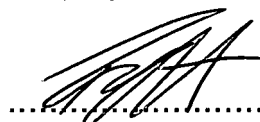
Auditor

In so far as the trustees are aware:

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

The auditor, UHY Hacker Young (Birmingham) LLP, has indicated its willingness to continue in office. The designated Trustees will propose a motion re-appointing the auditor at a meeting of the Trustees.

The Trustees' report was approved by order of the Board of Trustees Annual General Meeting, as the company directors and members, on 14 December 2020 and signed on its behalf by:


.....

R Hickford

Chair of Trust

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2020

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Preston Hedges Academy 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.

As trustees, we have reviewed and taken account of the guidance in DfE's Governance Handbook and competency framework for governance.

The Board of Trustees has delegated the day-to-day responsibility of 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 Preston Hedges Academy Trust and the Secretary of State for Education. They are 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:

Trustees	Meetings attended	Out of a Possible
Mr T Fidler, Vice Chair	7	7
Mr L Gentry	7	7
Mrs R Hickford, Chair	7	7
Mrs S Johnson (left the Trust June 2020)	-	7
Mrs S Smith	6	7
Mr D Hughes	5	7
Dr J Murray	6	7
Mr N Prescott	5	7
Mrs W Pearmain (appointed October 2019)	5	6
Mr P Watson, CEO	7	7

Board of Trustees

The composition of our Trust Board has shown just two changes in 2019/20. Mrs W Pearmain was elected to join the Trust Board, given her expertise in secondary school provision. Sitting on the Board of the Chartered College of Teaching to help create the college before its launch in September 2017. Also a member of the Association for Science Education 11-19 committee, Mrs W Pearmain helped to represent the voice of Science teachers and create research-informed education resources for secondary and further education institutions throughout the UK. Mrs S Johnson left the board in June 2020.

Our Board of Trustees have a range of skills and expertise in Human Resources, construction, architecture, finance and education.

The objectives of the Trust Board are outlined in this report. The coverage of its work focussed on its four strategic pillars of Trust Growth, People, Educational Excellence and Operational Excellence.

The Finance Committee is a sub-committee of the Main Board of Trustees. They met 3 times during the year. Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of a Possible
Mrs R Hickford	3	3
Mr D Hughes	3	3
Mr N Prescott	-	3
Mr M Brinkley (co-opted governor)	2	3
Ms S Saunders (co-opted governor)	3	3
Ms K Marchant (co-opted governor)	2	3
Mrs L Kerrison (co-opted member)	3	3
Mr P Watson	3	3
Mr P Dawes	3	3

The Audit Committee is a sub-committee of the Main Board of Trustees. They met 3 times during the year. Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of a Possible
Mrs R Hickford	3	3
Mr D Hughes	2	3
Mr D Nyamatore (co-opted governor)	3	3
Mr N Prescott	-	3
Mrs L Kerrison (co-opted member)	3	3
Mr P Watson	3	3

Review of Value for Money

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

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

The Accounting Officer for the Trust has delivered improved value for money during the year by:

- Official tender of good/services under a single contract for the Trust, as opposed to procuring individually for each school. Thereby reducing per pupil costs and ensuring quality, efficiency and deliverability are consistent across the Trust, for the below:
 - Catering
 - Reprographics
- Implemented budget planning software for the Trust, creating greater accuracy, transparency and consistency for the 3-5 year budget plans and effective consolidation for DFE Budget Forecast Returns, with efficient and effective academy benchmarking and KPI's for trustee strategic decision making
- Structural review of leadership within the Trust to, include the FTE appointment of the CEO to the central function, thus ensuring there is sufficient capacity to implement strategic direction and develop future growth of the Trust effectively
- Development of expertise and skills at Trust level to provide central support in operations, well-being and ICT.
- Utilising online resources during Covid-19 to maximise efficiencies in educational outcomes in our Trust schools
- Utilising online resources in Office 365 to ensure maximum output during Covid-19 to influence and inform strategic decision making across 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 ongoing process designed to identify and prioritise the risks to the achievement of 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 Preston Hedges Academy Trust for the year September 2019 to 31 August 2020 and up to the date of approval of the annual report and financial statements.

Internal Scrutiny

Preston Hedges Academy Trust, has a programme of internal scrutiny to provide independent assurance to the Board of Trustees that its financial and non-financial controls and risk management procedures are operating effectively.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2020

The Board of Trustees uses the guidance provided by the Academies Financial Handbook (AFH) with a focus on:

- evaluating the suitability of, and level of compliance with, financial and non-financial controls. This includes assessing whether procedures are effective and efficient, and checking whether agreed controls and procedures have been followed
- offering advice and insight to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for the day to day running of the trust
- ensuring all categories of risk are adequately identified, reported, and managed.

The Trust Board has conformed to effective internal scrutiny through:

- appointment of an audit committee to review and scrutinise governance, risk, and internal control processes
- appointment of bought-in internal audit service from Grant Thornton, our previous auditors, who carried out the works under a separate engagement letter before 15th March 2020
- appointment of a responsible officer, with appropriate qualifications and experience in risk management and compliance, who has performed internal control checks bi-annually under the direction of the audit committee
- appointment of an internal scrutineer, with significant high level experience in financial controls and compliance, who has reviewed key areas as directed by the audit committee based on our risk register, external audit findings reports, external bought-in services and responsible officer reports.

The Board of Trustees are satisfied that the audit committee and internal scrutineer will provide appropriate feedback and recommendations based on the findings of the internal scrutiny report, and the Trust Board will act upon these within the risk register, to continually improve governance, risk and control arrangements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the 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 ongoing process for identifying, evaluating and managing the Trust's significant risks, which has been in place for the year 1 September 2019 to 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, and discussed within each Trust Committee.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Board of Trustees 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 via the risk register

The Board of Trustees has considered the requirement for internal scrutiny during 19/20 and has reviewed its internal controls as part of this. The Board of Trustees has appointed an Audit Committee to oversee internal controls and ensure internal scrutiny is performed and reviewed on a regular basis. As part of the internal scrutiny, there have been additional appointments made by the Trust Board in 19/20. Mr D Nyamatore (Chair of Audit Committee) was appointed as responsible Officer (RO), to perform internal control checks. A separate division of Grant Thornton were appointed to complete an 'external' review of our internal controls procedures. Finally, the Board of Trustees appointed Mr D Hughes (Chair of Finance Committee) as our Internal Scrutineer.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2020

The RO's role includes providing advice on financial matters and performing a range of checks on the trust's financial systems. On a semi-annual basis, the RO reports to the Board of Trustees through the audit committee on the operation of the systems of control and on the discharge of the Board of Trustees financial responsibilities.

The Internal Scrutineer reviews all internal controls checks carried out and makes recommendations to the Board of Trustees, through the Audit Committee, on further actions that should be carried out to ensure our Trust is compliant with our internal controls and scrutiny.

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 Finance Director
- the work of the external auditor;
- the work of the Responsible Officer
- the work of the Internal Scrutineer
- the schools resource management self-assessment process
- the work of the Audit Committee within the trust who have responsibility for the development and maintenance of the internal control framework

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

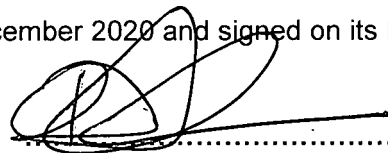
Approved by order of the members of the Board of Trustees on 14 December 2020 and signed on its behalf by:



.....
R Hickford

Chair of Trustees

14 December 2020



.....
P Watson

Accounting Officer

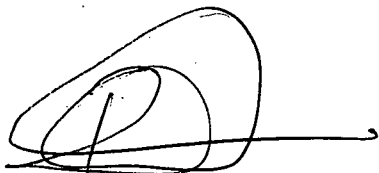
14 December 2020

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2020

As accounting officer of Preston Hedges Academy 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 ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. 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 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 the ESFA.

A handwritten signature in black ink, appearing to be 'P Watson', written over a dotted line.

P Watson
Accounting Officer

14 December 2020

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2020

The trustees (who act as trustees of Preston Hedges Academy Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS102 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 academy will continue in business.

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the 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 14 December 2020 and signed on its behalf by:



R Hickford

Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESTON HEDGES ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2020**Opinion**

We have audited the financial statements of Preston Hedges Academy Trust (the 'academy trust') for the year ended 31 August 2020 which comprise Statement of Financial Activities, the Balance Sheet and the Statement of Cash Flows and 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

This report is made solely to the academy trust'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 academy trust'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 academy trust and the academy trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust'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; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESTON HEDGES ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the trustees' report, governance statement, statement on regularity, propriety and compliance and statement of trustees responsibilities 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.

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 (incorporating the strategic report and the trustees' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 strategic report and the trustees' 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 trustees' responsibilities statement set out on page 19, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 academy trust or to cease operations, or have no realistic alternative but to do so.

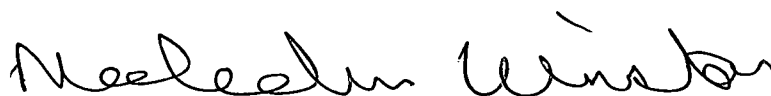
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESTON HEDGES ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Auditor's responsibilities for the audit of the financial statements**

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the academy trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the academy trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the academy trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Malcolm Winston

Senior Statutory Auditor

UHY Hacker Young (Birmingham) LLP, Statutory Auditor

9-11 Vittoria Street

Birmingham

B1 3ND

14 December 2020

INDEPENDENT REPORTING ACCOUNTANT'S AUDITOR'S ASSURANCE REPORT ON REGULARITY TO PRESTON HEDGES ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2020

In accordance with the terms of our engagement letter dated 6 October 2020 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 the Academy 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 the Preston Hedges Academy Trust and the ESFA in accordance with our engagement letter. Our review has been undertaken so that we might state to the governing body and the ESFA those matters we are required to state to it 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 Preston Hedges Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Preston Hedges Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Preston Hedges Academy Trust funding agreement with the Secretary of State for Education dated 27 July 2012, 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 and 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 the 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.

INDEPENDENT REPORTING ACCOUNTANT'S AUDITOR'S ASSURANCE REPORT ON REGULARITY TO PRESTON HEDGES ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Approach (con't)**

Summary of the work undertaken was as follows:

- Analytical review of the Academy Trust's general activities are within the Academy Trusts framework of authorities;
- Consideration of the evidence supporting the accounting officers statement on regularity, propriety and compliance;
- Review of the general control environment for the Academy Trust on financial statements and on regularity;
- Sample testing of expenditure transactions to ensure the activity is permissible within the Academy Trust's framework of authority;
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the Academy Trust's delegated authorities;
- Formal representations obtained from the board of trustees and the accounting officer acknowledging the responsibilities including disclosing all non compliance with laws and regulations specific to the authorising framework;
- Confirmation that any extra contractual payments such as severance and compensation payments have been appropriately authorised;
- Review of credit card expenditure for any indication of personal use by staff, principal or trustees;
- Review of specific terms of grant funding within the funding agreement;
- Review of related party transactions for connections with the principal/finance manager or trustees;
- Review of income received in accordance with the activities permitted within the Academy Trust's charitable objectives.

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.



Reporting Accountant
UHY Hacker Young (Birmingham) LLP
9-11 Vittoria Street
Birmingham
B1 3ND

14 December 2020

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2020
(Including Income and Expenditure Account)

			Restricted			
		Unrestricted	Restricted	Fixed	Total	Total
	Note	Funds	General	Asset	2020	2019
		£'000	Funds	Funds	£'000	£'000
			£'000	£'000		
Income from:						
Donations and capital grants	3	1	8	23	32	77
Transferred from local authority	3 & 13	-	-	6,700	6,700	-
Transferred from local authority on conversion	3 & 29	-	-	-	-	(238)
Charitable activities:						
- Funding for the Academy Trust's educational operations	4	-	4,237	-	4,237	3,987
Other trading activities	5	122	-	-	122	247
Investment income	6	1	-	-	1	-
Total		124	4,245	6,723	11,092	4,073
Expenditure on:						
Raising funds	7	86	-	-	86	-
Charitable activities:						
- Academy Trust's educational operations	7	-	4,325	279	4,604	4,208
Total	7	86	4,325	279	4,690	4,208
Net income/(expenditure)		38	(80)	6,444	6,402	(135)
Transfers between funds	16	-	(30)	30	-	-
Other recognised gains and losses						
Actuarial gain/(loss) on defined benefit pension schemes	27	-	42	-	42	(425)
Net movement in funds		38	(68)	6,474	6,444	(560)
Reconciliation of funds						
Total funds brought forward	27	96	(793)	3,555	2,858	3,418
Total funds carried forward	27	134	(861)	10,029	9,302	2,858

All of the Academy Trust's activities derive from acquisitions and continuing operations during the above two financial periods.

BALANCE SHEET AS AT 31 AUGUST 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	13	<u>9,923</u>	<u>3,377</u>
		<u>9,923</u>	<u>3,377</u>
Current assets			
Debtors	14	128	110
Cash at bank and in hand		<u>1,230</u>	<u>975</u>
		<u>1,358</u>	<u>1,085</u>
Current liabilities			
Creditors: Amounts falling due within one year	15	<u>(519)</u>	<u>(332)</u>
		<u>(519)</u>	<u>(332)</u>
Net current assets		839	753
Total assets less current liabilities		<u>10,762</u>	<u>4,130</u>
Defined benefit pension scheme liability		(1,460)	(1,272)
Total Net Assets		<u><u>9,302</u></u>	<u><u>2,858</u></u>
Funds of the Academy:			
Restricted funds			
- Fixed asset fund	16	10,029	3,555
- Restricted income fund	16	599	479
- Pension reserve	16	<u>(1,460)</u>	<u>(1,272)</u>
Total restricted funds		<u>9,168</u>	<u>2,762</u>
Unrestricted income fund	16	<u>134</u>	<u>96</u>
Total unrestricted funds		<u>134</u>	<u>96</u>
Total Funds	16	<u><u>9,302</u></u>	<u><u>2,858</u></u>

The financial statements on pages 25 to 45 were approved by the trustees and authorised for issue on 14 December 2020 and signed on their behalf by:



R Hickford
Chair of Trustees

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Net cash provided by operating activities	20	357	501
Cash flows from investing activities	21	(102)	(48)
Cash flows from financing activities	22	-	-
Change in cash and cash equivalents in the reporting period		<u>255</u>	<u>453</u>
 Cash and cash equivalents at 1 September	23	975	522
Cash and cash equivalents at 31 August	23	<u>1,230</u>	<u>975</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020**1 Statement of Accounting Policies**

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

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 accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Preston Hedges Academy Trust meets the definition of a public benefit entity under FRS 102.

Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the 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.

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.

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

- **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 receipt is probable and it can be measured reliably.

- **Donations**

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

- **Other income**

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

- **Donated goods, facilities and services**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

- **Donated goods, facilities and services (cont'd)**

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be 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.

- **Transfers of leasehold property**

Leasehold property transferred to the Academy from the local authority at little or no consideration will be revalued at fair value in accordance with FRS 102. This value will be recognised as incoming resources in the Statement of Financial Activities and will be included in the appropriate fixed assets category and depreciated over the life of the lease.

Expenditure

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

- **Expenditure on Raising Funds**

This includes all expenditure incurred by the 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.

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing **£500** or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation Policy

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for assets

Leasehold buildings	50 years
Furniture and fixtures	10 years
Computer equipment and software	3 years

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Parklands Primary School has assets under Private Finance Initiative (PFI) contracts.

The Transfer Agreement does not transfer the ownership of the new school built by the Contractor until the end of the Project Agreement. Whilst the PFI Agreement remains between the Local Authority and the Contractor, the Trust makes an Academy Contribution to the unitary charge via the Schools Agreement to cover the services element of the charge. The Directors have considered the risks and rewards associated with the agreement and consider that these represent operating lease arrangements, as risks and rewards associated with the PFI buildings are not transferred to the Trust until the end of the contract. Accordingly, the Academy contributions are recognised as operating charges in the Statement of Financial Activities on a straight line basis over the life of the contract.

At the end of the PFI contract, the risks and rewards will transfer to the Charitable Company, at which point the buildings will be capitalised.

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 as detailed in note 14. Prepayments are not financial instruments.

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

Financial liabilities - trade creditors, accruals and other creditors are financial instrument, and are measured at amortised cost as detailed in note 15. 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.

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.

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.

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. TPS is a multi employer scheme with no underlying assets to assign between employers. Consequently the TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a multi funded 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 the scheme introductions, benefit changes, settlements and curtailments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)**Pensions Benefits (Cont'd)**

They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the trustees. Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, 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

The critical judgements that the Trustees have made in the process of applying the Academy Trust's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

The critical areas of judgement are accounting for government grants, accounting for the write down of assets through depreciation and accounting for the pension liability. Government grants are accounted for as restricted funds. The pension liability is assessed by an independent actuarial valuation. Depreciation rates are based on the expected life of the asset.

In assessing whether there have been any indicators of impairment assets, the Trustees have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

2 GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2020 (See note 16).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

3 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Devolved formula capital grant	-	23	23	59
Transfer of land and buildings from local authority	-	6,700	6,700	-
Transfer of academy into academy trust:				
- Revenue funds	-	-	-	85
- LGPS pension deficit	-	-	-	(323)
Voluntary donations	1	8	9	18
	<u>1</u>	<u>6,731</u>	<u>6,732</u>	<u>(161)</u>

The income from donations and capital grants was £6,772,000 (2019 : deficit £161,000) of which £1,000 (2019 : £1,000) was unrestricted, £8,000 (2019 : deficit £221,000) restricted and £6,763,000 (2019 : £60,000) restricted fixed assets.

4 FUNDING FOR THE ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
DfE/ESFA grants				
General annual grant (GAG) (note 2)	-	3,577	3,577	3,317
Pupil Premium	-	95	95	101
Other DfE/ESFA	-	262	262	471
Teachers pay grant	-	47	47	-
Teachers pension grant	-	131	131	-
	<u>-</u>	<u>4,112</u>	<u>4,112</u>	<u>3,889</u>
Other Government grants				
Special educational needs grant	-	44	44	-
Pupil premium - NCC	-	21	21	-
Other LA grants	-	51	51	98
	<u>-</u>	<u>116</u>	<u>116</u>	<u>98</u>
Exceptional Government funding				
Coronavirus Job Retention Scheme grant	-	-	-	-
Coronavirus exceptional support	-	9	9	-
Other Coronavirus funding	-	-	-	-
	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>
Other income from the academy trust's educational operations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,237</u>	<u>4,237</u>	<u>3,987</u>

The academy trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. The funding received is shown above under "exceptional government funding". The funding received for coronavirus exceptional support covers £8,932 of cleaning, free school meals and premises costs. These costs are included in notes 7 and 8.

The income from the Academy Trusts's educational operations was restricted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

5 OTHER TRADING ACTIVITIES	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Hire of facilities	2	-	2	3
Trips, music and studio club income	121	-	121	223
Other Income	-	-	-	21
	<u>123</u>	<u>-</u>	<u>123</u>	<u>247</u>

The income from other trading activities was £123,000 (2019 : £247,000) of which £123,000 (2019 : £169,000) was unrestricted, £Nil (2019 : £78,000) restricted.

6 INVESTMENT INCOME	Unrestricted Funds £'000	Restricted Funds £'000	Total 2020 £'000	Total 2019 £'000
Bank interest received	1	-	1	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>

The income from the Academy Trusts's investment income was unrestricted.

7 EXPENDITURE	Non Pay Expenditure			Total 2020 £'000	Total 2019 £'000
	Staff Costs £'000	Premises £'000	Other Costs £'000		
Expenditure on raising funds					
- Direct costs	-	-	-	-	131
- Allocated support costs	69	-	17	86	69
Academy's educational operations					
- Direct costs	2,936	-	157	3,093	2,802
- Allocated support costs	520	649	342	1,511	1,206
	<u>3,456</u>	<u>649</u>	<u>499</u>	<u>4,604</u>	<u>4,008</u>
	<u>3,525</u>	<u>649</u>	<u>516</u>	<u>4,690</u>	<u>4,208</u>

The expenditure was £4,690,000 (2019 : £4,208,000) of which £86,000 (2019 : £199,000) was unrestricted, £4,325,000 (2019 : £3,872,000) restricted and £279,000 (2019 : £137,000) restricted fixed assets.

	Total 2020 £'000	Total 2019 £'000
Net income/(expenditure) for the year includes:		
Operating lease rentals	2	2
PFI charges	112	113
Depreciation	279	137
Fees payable to auditor for:		
- audit	9	15
- other services	<u>2</u>	<u>9</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

8 CHARITABLE ACTIVITIES

	Total 2020 £'000	Total 2019 £'000
Direct costs - educational operations	3,093	2,802
Support costs - educational operations	1,511	1,206
	<u>4,604</u>	<u>4,008</u>

Analysis of Direct Costs

	Total 2020 £'000	Total 2019 £'000
Teaching and educational support staff costs	2,936	2,542
Technology costs	3	6
Educational supplies	91	150
Staff development	15	39
Other direct costs	48	65
	<u>3,093</u>	<u>2,802</u>

Analysis of Support Costs

	Total 2020 £'000	Total 2019 £'000
Support staff costs	520	336
Depreciation	279	137
Premises	350	296
Insurance	20	22
Technology	65	76
Catering	136	143
Legal costs - other	7	-
Governance	64	26
Other support costs	70	170
	<u>1,511</u>	<u>1,206</u>

9 STAFF COSTS**a Staff costs during the year were:**

	Total 2020 £'000	Total 2019 £'000
Wages and salaries	2,497	2,349
Social security costs	204	192
Pension costs	771	537
	<u>3,472</u>	<u>3,078</u>
Agency staff costs	21	-
Staff restructuring costs	32	-
	<u>3,525</u>	<u>3,078</u>

Staff restructuring costs comprise:

Redundancy payments	22	-
Severance payments	10	-
Other restructuring costs	-	-
	<u>32</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

9 STAFF COSTS (cont'd)**b Staff severance payments**

Included in staff restructuring costs is 1 (2019 : Nil) non-statutory/non-contractual severance payments. The payment value was £9,500.

c Staff numbers

The average number of persons (including senior management team) employed by the academy during the period ended 31 August 2020 expressed as whole persons was as follows:

	Total 2020 £'000	Total 2019 £'000
Charitable Activities	No	No
Teachers	48	47
Administration and support	93	86
Management	4	4
	<u>145</u>	<u>137</u>

d Higher paid staff

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

	2020 No	2019 No
£60,001 - £70,000	1	2
£70,001 - £80,000	1	-
£80,001 - £90,000	-	1
£90,000 - £100,000	1	-

e Key management personnel

The key management of the Academy Trust comprise the trustees and the senior management team as listed on page 3. 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 £416,355 (2019 : £453,290).

10 CENTRAL SERVICES

Preston Hedges Academy Trust has provided the following central services to Preston Hedges Primary School, Pineham Barns Primary School and Parklands Primary School:

- financial services;
- human resources; and
- educational support services.

All of these service costs were largely covered by centrally held funds and a central team was established in 2018/19, and therefore the trustees deemed it reasonable to request Pineham Barns Primary School and Parklands Primary School to make a contribution due to certain central costs being incurred by the school on behalf of the trust.

The academy trust charges for these services 6% top slice of income.

The actual amounts charged during the year were as follows:

	2020 £'000	2019 £'000
Pineham Barns Primary School	38	25
Parklands Primary School	89	71
Preston Hedges Primary School	88	-
	<u>215</u>	<u>96</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

11 RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES

One or more trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Chief Executive Officer and other staff trustees receive remuneration in respect of their contracts of employment as Chief Executive Officer and staff and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the Academy Trust in respect of their role as trustees. The value of trustee's remuneration and other remuneration was as follows:

Mr P Watson, Chief Executive Officer and Headteacher

Remuneration	£90,000 - £95,000	(2019 : £85,000 - £90,000)
Employers pension contributions	£10,000 - £15,000	(2019 : £10,000 - £15,000)

Mrs J Evans, Trustee

Remuneration	£Nil - £Nil	(2019 : £40,000 - £45,000)
Employers pension contributions	£Nil - £Nil	(2019 : £5,000 - £10,000)

During the year ended 31 August 2020 P Watson was paid £724 .

Other related party transactions including trustees are set out in note 28.

12 TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees' and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim. The cost of this insurance is included in the total insurance cost of the ESFA's RPA scheme (2019: £1,213)

13 TANGIBLE FIXED ASSETS

	Leasehold Land & Buildings £'000	Furniture & Fixtures £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 September 2019	3,529	249	334	4,112
Transfer from Local Authority	6,700	-	-	6,700
Additions	60	18	47	125
Disposals	-	-	-	-
At 31 August 2020	<u>10,289</u>	<u>267</u>	<u>381</u>	<u>10,937</u>
Depreciation				
At 1 September 2019	468	66	201	735
Charged in year	184	24	71	279
Disposals	-	-	-	-
At 31 August 2020	<u>652</u>	<u>90</u>	<u>272</u>	<u>1,014</u>
Net book value				
At 31 August 2020	<u>9,637</u>	<u>177</u>	<u>109</u>	<u>9,923</u>
At 31 August 2019	<u>3,061</u>	<u>183</u>	<u>133</u>	<u>3,377</u>

The leasehold land and buildings were donated to Preston Hedges Academy Trust by Northamptonshire County Council (NCC) on a 125 year lease at a peppercorn rent on 3 April 2019. An existing use valuation and useful asset life assessment was prepared by Montagu Evans, Chartered Surveyors, on 28 January 2019 in accordance with the requirements of the accounting standard FRS 102 for Pineham Barns Primary School that converted in September 2017. The leasehold land and buildings gifted had a depreciated replacement cost value for Pineham Barns Primary School of £6,700,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

	2020	2019
	£'000	£'000
14 DEBTORS		
Trade debtors	1	2
VAT recoverable	26	33
Prepayments and accrued income	101	75
	<u>128</u>	<u>110</u>

	2020	2019
	£'000	£'000
15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	94	103
Taxation and social security	51	47
Other creditors	66	-
Accruals and deferred income	308	182
	<u>519</u>	<u>332</u>

	2020	2019
	£'000	£'000
Deferred Income		
Deferred income at 1 September 2019	100	51
Resources deferred in the year	248	100
Amounts released from previous years	(100)	(51)
Deferred income at 31 August 2020	<u>248</u>	<u>100</u>

At the balance sheet date the academy was holding funds received in advance for 2020/21 for Environmental Improvement Grant £40,000 (2019: £Nil) universal infant free school meals £104,650 (2019: £87,564), rates relief £12,395 (2019: £12,201), start up grant £90,000 (2019: £Nil) and for sundry items of £745 (2019: £646).

16 FUNDS

The income funds of the academy comprise the following balances of grants to be applied for specific purposes:

	Balance at 1 September 2019	Incoming Resources	Resources Expended	Gains, Losses & Transfers	Balance at 31 August 2020
	£'000	£'000	£'000	£'000	£'000
Restricted general funds					
General annual grant (GAG) (note i)	366	3,577	(3,319)	(30)	594
DFE/ESFA grants (note ii)	73	449	(517)	-	5
Pupil premium grant (note iii)	-	115	(115)	-	-
Friends of Preston Hedges - (note iv)	21	8	(29)	-	-
Other government grants - (note v)	19	96	(115)	-	-
Other activities (note vi)	-	-	-	-	-
	<u>479</u>	<u>4,245</u>	<u>(4,095)</u>	<u>(30)</u>	<u>599</u>
Restricted fixed asset funds					
Fixed assets donation (note vii)	3,519	6,700	(271)	(18)	9,930
Capital expenditure from GAG (note viii)	36	-	(6)	48	78
DFE/ESFA capital grants (note ix)	-	23	(2)	-	21
	<u>3,555</u>	<u>6,723</u>	<u>(279)</u>	<u>30</u>	<u>10,029</u>
Restricted pension scheme liability					
Pension reserve (note x)	(1,272)	-	(230)	42	(1,460)
	<u>(1,272)</u>	<u>-</u>	<u>(230)</u>	<u>42</u>	<u>(1,460)</u>
Total restricted funds	<u>2,762</u>	<u>10,968</u>	<u>(4,604)</u>	<u>42</u>	<u>9,168</u>
Unrestricted funds					
Unrestricted funds	96	124	(86)	-	134
Total unrestricted funds	<u>96</u>	<u>124</u>	<u>(86)</u>	<u>-</u>	<u>134</u>
Total funds	<u>2,858</u>	<u>11,092</u>	<u>(4,690)</u>	<u>42</u>	<u>9,302</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

16 FUNDS (cont'd)

Notes

- i) General Annual Grant must be used for the normal running costs of the School. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it would carry forward at 31 August 2020. (see note 2)
- ii) Other grants received from the ESFA/DfE during the year to support with the financial needs of the Academy during the year
- iii) Pupil Premium grant has been used to support children from low income families placed at the School.
- iv) Friends of Preston Hedges has been used to support pupils by providing teaching and teaching assistant support.
- v) Other grants, mainly from NCC, has been used to improve skills for employment, building adaptations and behaviour in school.
- vi) Other activities are used to support the Academy Trust's activities.
- vii) Land and buildings were gifted to the Academy Trust upon conversion from Northamptonshire County Council.
- viii) The gross transfer from the restricted general fund to the restricted fixed asset fund of £48,000 (2019 : £Nil) represents the total capital expenditure from GAG during the year.
- ix) Restricted fixed assets were funded by government grants, a transfer from General Annual Grant (GAG) and by WCC donating Academy land and buildings on a 125 year lease at a pepper corn rent.
- x) The pension reserve represents the deficit on the Local Government Pension Scheme (see note 27).

	Balance at 1 September 2018 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2019 £'000
Restricted general funds					
General annual grant (GAG) (note i)	1	3,317	(2,925)	(27)	366
DfE/ESFA grants (note ii)	46	470	(439)	(4)	73
Pupil premium grant (note iii)	-	102	(102)	-	-
Friends of Preston Hedges (note iv)	21	20	(12)	(8)	21
Other government grants - (note v)	19	193	(193)	-	19
Other activities (note vi)	-	65	(68)	3	0
	<u>87</u>	<u>4,167</u>	<u>(3,739)</u>	<u>(36)</u>	<u>479</u>
Restricted fixed asset funds					
Fixed assets donation (note vii)	3,596	60	(137)	-	3,519
Capital expenditure from GAG (note viii)	-	-	-	36	36
DfE/ESFA capital grants (note ix)	-	-	-	-	-
	<u>3,596</u>	<u>60</u>	<u>(137)</u>	<u>36</u>	<u>3,555</u>
Restricted pension scheme liability					
Pension reserve (note x)	(391)	(323)	(133)	(425)	(1,272)
	<u>(391)</u>	<u>(323)</u>	<u>(133)</u>	<u>(425)</u>	<u>(1,272)</u>
Total restricted funds	3,292	3,904	(4,009)	(425)	2,762
Unrestricted funds					
Unrestricted funds	126	169	(199)	-	96
Total unrestricted funds	<u>126</u>	<u>169</u>	<u>(199)</u>	<u>-</u>	<u>96</u>
Total funds	<u>3,418</u>	<u>4,073</u>	<u>(4,208)</u>	<u>(425)</u>	<u>2,858</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

16 FUNDS (cont'd)

TOTAL FUNDS ANALYSIS BY

Fund balances at 31 August 2020 were allocated as follows:

	Total 2020 £'000	Total 2019 £'000
Central Services	334	137
Preston Hedges Primary School	131	149
Pineham Barns Primary School	105	100
Parklands Primary School	163	189
Total before fixed assets and pension reserve	733	575
Restricted fixed assets fund	10,029	3,555
Pension reserve	(1,460)	(1,272)
	8,569	2,283
Total	9,302	2,858

TOTAL COST ANALYSIS BY ACADEMY

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

Academies	Teaching & Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (exc Depn) Total £'000	Total 2020 £'000	Total 2019 £'000
Central Services	33	123	9	48	213	175
Preston Hedges	1,250	222	53	226	1,751	1,757
Pineham Barns	546	142	42	143	873	601
Parklands	1,107	102	53	312	1,574	1,538
Academy Trust	2,936	589	157	729	4,411	4,071

17 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2020 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed assets	-	-	-	9,923	9,923
Current assets	134	-	1,118	106	1,358
Current liabilities	-	-	(519)	-	(519)
Pension scheme liability	-	(1,460)	-	-	(1,460)
	134	(1,460)	599	10,029	9,302

Fund balances at 31 August 2019 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed assets	-	-	-	3,377	3,377
Current assets	96	-	811	178	1,085
Current liabilities	-	-	(332)	-	(332)
Pension scheme liability	-	(1,272)	-	-	(1,272)
	96	(1,272)	479	3,555	2,858

18 CAPITAL COMMITMENTS

Contracted for, but not provided in the financial statements

Authorised by trustees, but not yet contracted

2020 £'000	2019 £'000
13	49
Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

19 COMMITMENTS UNDER OPERATING LEASES**Operating leases**

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

	2020		2019	
	Land & Buildings	Other	Land & Buildings	Other
	£'000	£'000	£'000	£'000
Operating leases				
- Within one year	112	4	112	2
- Within two to five years	449	8	449	-
- Over five years	1,347		1,459	
	1,908	12	2,020	2

Included in land and buildings are assets under a Private Finance Initiative (PFI) contract. The academy trust makes an academy contribution to the unitary charge via the risks and rewards associated with the agreement.

20 RECONCILIATION OF NET INCOME/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020	2019
	£'000	£'000
Net income/(deficit) for the reporting period (as per the statement of financial	6,402	(135)
Adjusted for:		
Depreciation (note 13)	279	137
Fixed Assets donation	(6,700)	-
LGPS pension deficit transfer	-	323
Capital grants from DfE and other capital income	(23)	(59)
Interest receivable	-	-
Defined benefit pension scheme cost less contributions payable (note 27)	204	105
Defined benefit pension scheme finance cost (note 27)	26	28
Increase in debtors	(18)	(1)
Increase in creditors	187	103
Net cash provided by operating activities	357	501

21 CASH FLOWS FROM INVESTING ACTIVITIES

	2020	2019
	£'000	£'000
Interest received	-	-
Purchase of tangible fixed assets	(125)	(107)
Capital grants from DfE/ESFA	23	59
Receipts from sale of tangible fixed assets	-	-
Net cash used in investing activities	(102)	(48)

22 CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by financing activities	-	-

23 ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 31 Aug 2020	At 31 Aug 2019
	£'000	£'000
Cash in hand and at bank	1,230	975
Total cash and cash equivalents	1,230	975

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 September 2019 £'000	Cash Flows £'000	At 31 Aug 2020 £'000
Cash at bank	975	255	1,230
Overdraft	-	-	-
	<u>975</u>	<u>255</u>	<u>1,230</u>

25 CONTINGENT LIABILITIES

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

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

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

26 MEMBERS' LIABILITY

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

27 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 Northamptonshire County Council Pension Fund. Both are defined multi employer benefit schemes.

The total pension cost to the Academy during the period ended 31 August 2020 was £771,000 (2019 : £536,897) of which £392,000 (2019 : £262,897) relates to the TPS and £379,000 (2019 : £274,000) relates to LGPS.

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 of the LGPS 31 March 2016.

Contributions amounting to £63,905 Were payable to the schemes at 31 August 2020 (2019£Nil) and are included within other creditors.

Teachers' Pension Scheme**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)**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 every 4 years. 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. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy)
- 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
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI. assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2023.

The employers pension costs paid to TPS in the period amounted to £392,000 (2019 : £262,897).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in a separate trustee administered funds. The total contributions made for the year ended 31 August 2020 was £423,000 (2019 : £314,000) of which employers contributions totalled £379,000 (2019 : £274,000) and employees contributions totalled £44,000 (2019 : £40,000). The agreed employers contributions for future years are 19.3% (2019:24.1%) for Preston Hedges Primary School, 18.3% (2019 : 24.1%) for Pineham Barns Primary School and 20.6% (2019 : 24.1%) for Parklands Primary School. The agreed contributions for employees are between 5.5% and 7.5% (2019: 5.5% and 7.5%) for employees.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

Principal Actuarial Assumptions

The major assumptions used by the actuary were:

	At 31 August 2020	At 31 August 2019
	% per annum	% per annum
Discount rate	1.7%	1.9%
Salary increases	2.7%	2.6%
Pension increase	2.2%	2.3%

Sensitivity analysis for the principal assumptions used to measure the scheme liabilities were as follows:

	At 31 August 2020	At 31 August 2019
	Approx £'000	Approx £'000
Discount rate reduced by 0.5% per annum	424	382
Assumed pension increased by 0.5% per annum	400	330
Salary growth increased by 0.5% per annum	18	45

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

	2020	2019
	years	years
Longevity at age 65 retiring today		
- Men	21.5	21.2
- Women	23.7	23.3
Longevity at age 65 retiring in 20 years		
- Men	22.3	22.3
- Women	25.1	24.7

	Fair value at 31 Aug 2020	Fair value at 31 Aug 2019
	£'000	£'000
The Academy's share of the assets in the scheme were:		
Equity instruments	1,068	955
Debt instruments	248	225
Property	187	119
Cash	47	27
Total market value of assets	1,550	1,326
Present value of scheme liabilities		
- Funded	(1,550)	(1,326)
- Unfunded	(1,460)	(1,272)
Total liabilities	(3,010)	(2,598)
Deficit in the scheme	(1,460)	(1,272)

The actual return on the scheme assets in the year was £48,000 (2019 : £59,000).

Amounts recognised in the Statement of Financial Activities

	2020	2019
	£'000	£'000
Current service cost	353	246
Past service cost	-	7
Interest cost	53	54
Interest income	(27)	(33)
Total operating charge	379	274

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

	2020 £'000	2019 £'000
Movement in deficit during the period		
Deficit in the scheme at 1 September 2019	1,272	391
Balance at admission date	-	323
Movement in year:		
- Employer service cost (net of employee contributions)	353	246
- Past service cost	-	7
- Employer contributions	(149)	(141)
- Expected return on scheme assets	(27)	(33)
- Interest cost	53	54
- Actuarial (gains)/losses	(42)	425
Deficit in the scheme at 31 August 2020	1,460	1,272

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

	2020 £'000	2019 £'000
Scheme liabilities at 1 September 2019	2,598	1,201
Scheme liabilities at admission date	-	608
Current service cost	353	246
Past service cost	-	7
Interest cost	53	54
Contributions by scheme participants	44	40
Benefits paid	(17)	(9)
Actuarial (gain)/losses	(21)	451
Scheme liabilities at 31 August 2020	3,010	2,598

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

	2020 £'000	2019 £'000
Fair value of scheme assets at 1 September 2019	1,326	810
Fair value of scheme assets at admission date	-	285
Expected return on scheme assets	27	33
Actuarial gains	21	26
Contributions by employer	149	141
Benefits paid	(17)	(9)
Contributions by scheme participants	44	40
Fair value of scheme assets at 31 August 2020	1,550	1,326

The estimated value of employers contributions for the year ended 31 August 2021 is £148,000 (2020 : £135,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

28 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, it is inevitable that transactions will take place with organisations in which a member of the board of trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. During the period ended 31 August 2019 there were no such transactions.

In entering into the transactions the trust has complied with the requirements of the Academies Financial Handbook 2019.

No related party transactions took place in the period of account, other than certain trustee's remuneration and expenses already disclosed in note 11.

29 CONVERSION TO AN ACADEMY TRUST

On 1 September 2018 Parklands Primary School converted to Academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to the Preston Hedges academy Trust from Northamptonshire County Council for nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain/(loss) in the Statement of Financial Activities as donations transferred from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total Funds £'000
Leasehold land and buildings	-	-	-	-
Furniture and computer equipment	-	-	-	-
School Fund	-	-	-	-
Budget surplus on LA funds	-	85	-	85
LGPS pension deficit	-	(323)	-	(323)
Net assets/(liabilities)	-	(238)	-	(238)

The above net assets/(liabilities) include £84,677 that were transferred as cash.

30 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no material adjusting or non adjusting events arising after the balance sheet date.