

HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST
(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR

31 AUGUST 2018

Company Limited by Guarantee
Registration Number: 08627834
(England & Wales)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, TRUSTEES AND ADVISORS

Members	S Smith Rev S Banks Rev R Chamberlain D Brill
Trustees	N Taylor D Brill (Chair) Rev S Banks A Bufton McCoy (Resigned 26 February 2018) R Warrack P Shaw P Lavender (Resigned 12 September 2018) C Ward Lewis (Appointed 12 September 2018)
Company Secretary	H King
Accounting Officer	N Taylor
Head Teacher	
Austrey Church of England Primary School	L Kilkenny
Newton Regis Church of England Primary School	L Kilkenny
Warton Nethersole's Church of England Primary School	S Bostock
Woodside Church of England Primary School	A Simpson
Principal Addresses	Austrey Church of England Primary School St Nicholas Close Atherstone Warwickshire CV9 3EQ Newton Regis Church of England Primary School Austrey Lane Tamworth Staffordshire B79 0NL Warton Nethersole's Church of England Primary School Maypole Road Tamworth Staffordshire B79 0HP Woodside Church of England Primary School Maypole Lane Grendon Atherstone CV9 2BS
Registered Office	UHY Hacker Young (Birmingham) LLP 9 - 11 Vittoria Street Birmingham B1 3ND
Company Registration Number	08627834
Independent Auditor	UHY Hacker Young (Birmingham) LLP 9-11 Vittoria Street Birmingham B1 3ND

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2018.

The company was formed on 29 July 2013 and the multi academy trust commenced on 1 September 2013. The trust operates 4 primary schools for pupils aged 4 to 11 serving the catchment areas of Atherstone, Warton, Austrey and Newton Regis. The multi academy trust has a pupil capacity for all four schools of 664 and had a roll of 524 (Austrey 81, Newton Regis 87 (including nursery), Warton Nethersole's 146 and Woodside 210) in the school census on 1 October 2017.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The multi academy trust is a company limited by guarantee with no share capital (Registration Number: 08627834) and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the multi academy trust. The trustees of Heartwood Church of England Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Heartwood Church of England Academy Trust.

Details of the trustees who served during the year except as noted are included in the Reference and Administrative Details on page 2.

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

Heartwood Church of England Academy Trust has in place Directors and Trustees liability insurance indemnity cover to a limit of £1m.

Method of Recruitment and Appointment or Election of Trustees

There are clearly defined and approved procedures for the selection and appointment of trustees which are outlined in the company's Articles of Association. These include application, shortlisting and interview procedures. Consideration is given to the skills of trustees which would enhance the effectiveness of the trust.

Policies and Procedures Adopted for the Induction and Training of Trustees

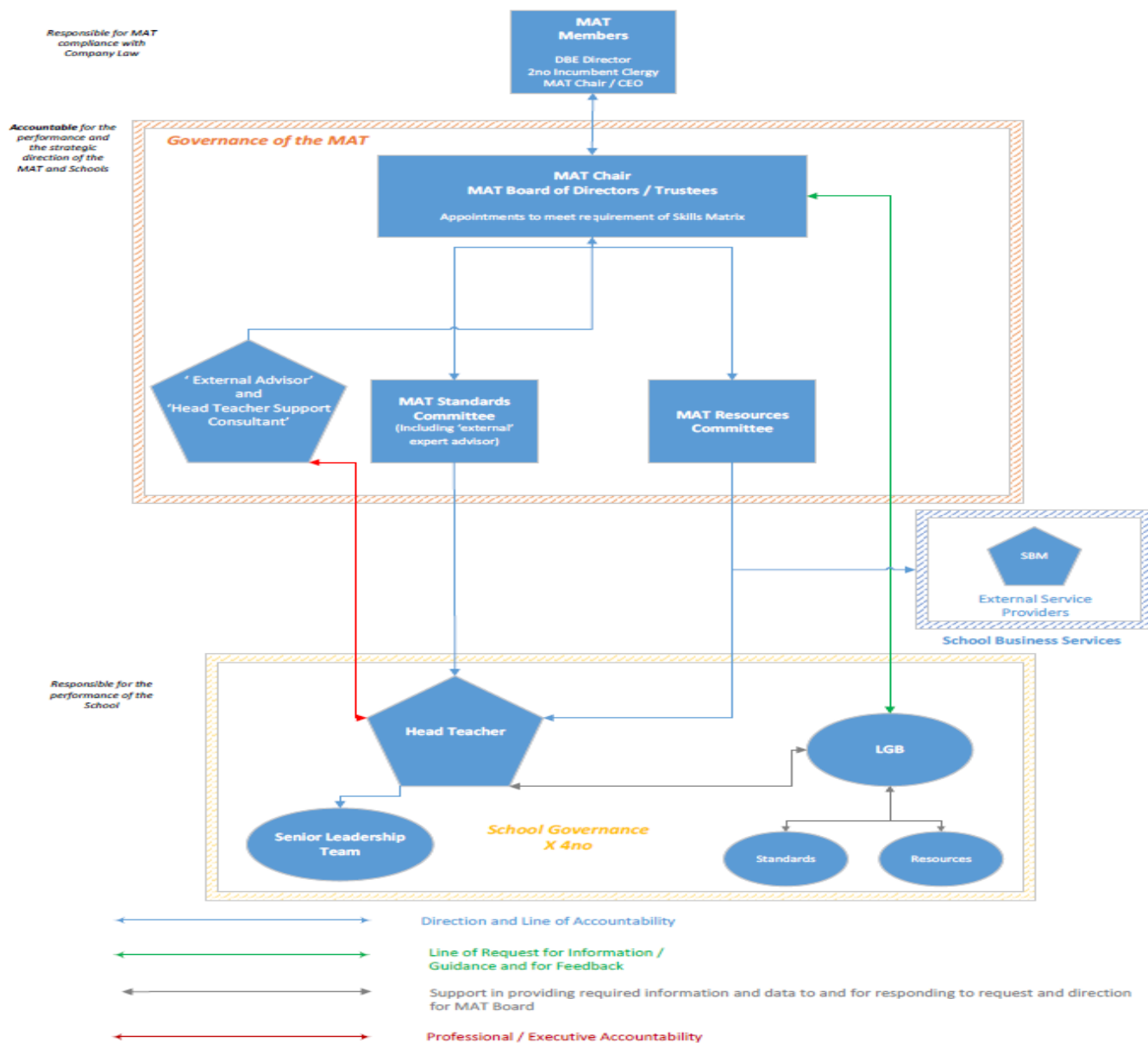
An induction pack containing relevant documentation needed to undertake the role is evolving and will be updated regularly so that it can be provided to all newly appointed trustees. The induction pack describes their role as a trustee and gives some basic information about the academies including the local governing bodies. Training for trustees is undertaken depending on their experience.

Organisational Structure

The structure consists of three levels: the members, the MAT board and Academy Local Governing Committees. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels whilst maintaining accountability.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

Organisational Structure (cont'd)



The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the academies through the use of budgets and making major decisions about the direction of the academies, capital expenditure and appointment of headteachers.

The trustees control the academies at an executive level, whilst the Senior Leadership Teams in each academy (Head Teachers and Deputies) implement the policies laid down by the trustees and report back to them. The Senior Leaders are responsible, in line with the Trust Schemes of Delegation, for the authorisation of spending within agreed budgets and the appointment of the majority of staff.

The Company has 4 "Members" who are also the subscribers to the articles of association, who can and have appointed directors for an initial 4 year term to run the business. Members will be the Birmingham DBE (represented by 1 individual at meetings), the Chairman of Directors and 2 individuals appointed by the DBE. This arrangement applies as the Birmingham Church of England Diocesan Board of Education (DBE) is the academy trust sponsor.

Trade union facility time

During the year there were no trade union officials represented at the trust.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Arrangements for setting pay and remuneration of key management personnel**

The Academy reviews the pay policy and personnel remuneration annually. This is ratified by the MAT Resources Committee and MAT Board for the year ahead and cascaded to staff. The Academy currently follows the national guidance for both teachers' terms and conditions of employment and the support staff under local Council guidance. The leadership structure also follows the guidance dictated by the Teachers Pay and Conditions document and the size of the school. All trustees of the Academy are appointed on a voluntary basis and no remuneration is provided.

Connected Organisations, including Related Party Relationships

Heartwood Church of England Academy Trust was incorporated on 29 July 2013 and became a multi-academy trust from 1 September 2013 including under its control Austrey Church of England Primary School, Newton Regis Church of England Primary School, Warton Nethersole's Church of England Primary School and Woodside Church of England Primary School.

OBJECTIVES AND ACTIVITIES**Objectives and Aims**

The multi-academy trust's objectives are specifically restricted to the following: -

To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools with a designated Church of England religious character ("the Academies") offering a broad and balanced curriculum conducted in accordance with the principles, practices and tenets of the Church of England both generally and in particular in relation to arranging for religious education and daily acts of worship (as required by the relevant funding agreement), and in having regard to the advice of the Diocesan Board of Education.

To achieve this, the multi-academy trust identified the following aspirational and measurable outcomes for each individual academy for the period: -

- Every lesson to be good or better;
- Every child to make at least, and for many, above national expectations in both attainment and progress;
- Every academy to be well led and governed;
- All teachers motivated to self-improve and aspire to excellence;
- All academies to be judged good or better at Section 48 Inspections.

Principal Activities

At Heartwood Church of England Academy Trust, we work in partnership with young people, parents and carers to ensure that every student will:

- Feel safe, happy and healthy;
- Enjoy high quality learning opportunities, in a school at the leading edge of innovation;
- Feel challenged and inspired to achieve excellence in every aspect of their lives;
- Become confident, enterprising, creative learners, fully equipped for life and work;
- Become fully-rounded and responsible citizens, making a positive contribution to the school, local, national and global community.

Objectives, Strategies and Activities

To meet these priorities the Trust has appointed an operational team who (standards and resources sub-committees) have adopted a number of strategies and activities that include: -

- Identify with individual academies what a good and outstanding lesson looks like;
- Implement a standard template for monitoring and reporting progress of each child;
- Encourage outwardly facing Senior Leaders, who seek best practice from cutting-edge and innovative schools (both within the Multi-Academy Trust but also with the wider Diocese);
- Introduce and embed the Diocesan school improvement model to develop quality teaching within the academies;
- Work in partnership with the Diocesan Board of Education to develop the Christian distinctiveness of each Academy so that they can provide an inspirational and holistic education which enables all children and staff to develop and achieve to their full potential;
- Offer central support with recruitment of staff, particularly in the areas of finance and senior leadership.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Equal opportunities policy**

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

Disabled Persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the academy. The policy of the academy is to support recruitment and retention of students and employees with disabilities. The academy does this by adapting the physical environment, by making support resources available and through training and career development.

Public Benefit

Trustees have consideration to the Charity's Commission's general guidance on public benefit and in particular to its supplementary guidance on education. As noted above, the multi academy trust's objective is to advance for the public benefit education in the United Kingdom.

STRATEGIC REPORT**Achievements and Performance**

Heartwood Church of England Academy Trust achievements in 2017-18 include:

- As a result of the Department for Education changing its policy on Academies it is implementing a strategy to actively encourage single Academies and small Multi Academy Trust, such as Heartwood, to merge so they can benefit from the economics of scale of larger organisations. The Board has spent 12 months exploring those options open to Heartwood and, in collaboration with both Headteachers and Governing Bodies, the Directors have agreed that a merger with the Birmingham Diocesan Academies Trust (BDMAT) would afford the best opportunities for both pupils and staff. The merger was approved in principle by the Department for Education in July 2018 and it is now subject to a process of due diligence with a target date for completion of 1st April 2019.
- The ongoing close working relationship between the academies and sponsor to share knowledge and expertise, to seek out best practice and to realise the vision of the Trust.

Achievement of pupils at Austrey CE Primary School**Ofsted Rating:** Good

Outcomes for learners in Key Stage 2 rose significantly in 2017/2018 and were once again around the national and in some instances above. The school was above the national for Reading, Writing and Maths combined with 77% of pupils meeting ARE and 15% at the higher standard. The national percentage was 64% meeting ARE and 10% achieving the higher standard.

On an individual subject basis in reading 77% of pupils met ARE and 31% achieved the higher standard, nationally this was 75% and 28%. In writing 77% met ARE and 31% were at greater depth, nationally this was 78% and 20%. In GPS 85% met ARE and 31% achieved the higher standard, nationally it was 78% and 34%. In mathematics 85% of pupils met ARE and 38% achieved the higher standard, nationally it was 76% and 24%.

Progress of pupils from KS1 to KS2 has improved significantly and in all 3 subjects the school shows positive progress for 2018. Progress for reading was +2.0, for writing it was +0.3 and in maths it was +1.4.

The scaled score for reading was 109, the national being 105. In GPS the scaled score was 108, the national being 106. In maths the scaled score was 107, the national was 104.

The 2018 KS1 SATs results were as follows, the percentage of pupils who met the standard in reading, writing and maths combined was broadly in line with the national (within 1 child) at both ARE and GD. In reading 75% of pupils were at ARE and 17% GD, nationally this was 75% and 26%. In writing 75% met ARE and 8 % GD, nationally it was 70% and 16%. In maths 92% met ARE and 17% GD, nationally it was 76% and 22%.

The EYFS Level of GLD dropped again this year and is currently 50%, it was a poor cohort initially of 10 pupils added to this two pupils joined late in the year that were well below on entry. There has been a 3 year trend now in the drop in GLD from a school high of 100% in 2016. The EYFS lead is working with the practitioner in the class to arrest this trend and has already submitted an action plan. This year's cohort does seem much stronger and initial PPM have predicted 79% GLD if current data comes to fruition.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

Phonics results at end of year 1 have always been above the national, and the current cohort was no different with 86% of pupils reaching the expected standard.

Achievement of pupils at Newton Regis CE Primary School

Ofsted Rating: Good

Attainment at the end of KS2 at the expected level is good in Reading (83%), GPS (83%), very good in Mathematics (100%) and broadly in line in Writing (67%) Attainment at the Higher Level is securely good in Reading (50%), in Mathematics (50%) and in GPS (67%) in Writing 33% of pupils attained the High Level.

Scaled scores for all 3 subjects was 109 and this was above the national.

Progress of the pupils from key stage 1 to key stage 2 is also a positive picture, in Reading + 5.1, in writing +1.5 and in mathematics +6.6.

Attainment at end of Key stage 1 is broadly in line at ARE in writing and mathematics, but below in reading (more than 1 pupil). This will form part of our school improvement plan over the coming year. The percentage of pupils who met reading, writing and maths combined at ARE was again broadly in line with pupils nationally. Attainment at the Higher Level is in line in all 3 subjects, as is the percentage of pupils who achieved the higher standard in reading, writing and maths combined.

Children in Reception class at Newton Regis school start life broadly in line with the national on Entry. For a number of years GLD was well below the national, something that SLT were keen to reverse. Much work has been done to improve EYFS and these improvements are now evident to see. The percentage of pupils who reach GLD now compares favourably to both local and national figures. The percentage of pupils reaching GLD in 2017/18 was 80%, which was above the national.

In 2017/18, 86% of Year 1 pupils met the standard, which was slightly above the national.

Achievement of pupils at Warton Nethersole's CE Primary School

2017/2018 end of KS data:

Ofsted Rating: Good

Attainment in KS2: Attainment was broadly in line with national averages in all subjects: Reading 75%, Writing 76% and Maths 76%. (17 pupils in the cohort each worth 6%)

RWM combined was 53% (national 61%). Pupils attaining at the higher level: Reading 6%, Writing 12% and Maths 24% (Reading and Writing lower than national). Reading and GPS at dipped from last year. Achieving at GD remains a priority for the school. Reading is a LIP priority - the school is joining the Power of Reading Programme this academic year.

Progress in KS2: Progress measures: reading (-1.7), maths (-0.1), writing (-1.0). All above floor standards.

Scaled scores: Reading 103 (national 105), GPS 104 (national 106), Maths 104 (national 104)

Attainment in KS1: Attainment at the end of Year 2 was slightly higher than national in all subjects: Reading 79%, Writing 71%, Maths 82%. The percentages of children attaining at the higher level however was lower than national: Reading 14%, Writing 4%, Maths 14%.

Attainment in EYFS: 72% of pupils achieved a good level of development (72% national)

Year 1 phonics: 83% of pupils were at the standard (83% national)

Achievement of pupils at Woodside C of E Primary School

Ofsted Rating: Good

Outcomes for learners in Key Stage 2 rose in 2017/2018 and were above national in many cases. The school was above the national for Reading, Writing and Maths combined with 67% of pupils meeting ARE and 7% at greater depth. The national percentage was 64% meeting ARE and 10% achieving GD.

On an individual subject basis in reading 73% of pupils met ARE and 23% achieved the higher standard, nationally this was 75% and 28%. In writing 80% met ARE and 23% were at greater depth, nationally this was 78% and 20%. In GPS 83% met ARE and 40% achieved the higher standard, nationally it was 78% and 34%. In mathematics 80% of pupils met ARE and 20% achieved the higher standard, nationally it was 76% and 24%.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

Progress of pupils from KS1 to KS2 has improved significantly in writing (0) and maths (-1.0) but progress for reading declined (-2.4) and this is an area for development for 18/19.

The scaled score for reading was 103, the national being 105. In GPS the scaled score was 108, the national being 106. In maths the scaled score was 104, the same as national.

The 2018 KS1 SATs results were as follows, the percentage of pupils who met the standard in reading, writing and maths combined was broadly in line with the national (within 1 child) at both ARE and GD. In reading 69% of pupils were at ARE and 8% GD, nationally this was 75% and 26%. In writing 67% met ARE and 6% GD, nationally it was 70% and 16%. In maths 75% met ARE and 11% GD, nationally it was 76% and 22%. These results showed an improving picture in writing and maths but there is a declining 3 year trend in reading which is a focus area for 18/19.

The EYFS Good Level of Development improved again this year to 75% - above national 71%.

Phonics results at end of year 1 have always been above the national, and the current cohort was no different with 100% of pupils reaching the expected standard. Phonics remains a strength across the school.

Key Financial Performance Indicators

The trust established a financial budget at the start of the year and then monitored performance against budget during the period. Further financial and non-financial indicators will be introduced as the trust develops. It is anticipated that benchmarking will be a key tool in ensuring the academy is delivering value for money.

Austrey Church of England Primary School	2018	2017
Pupil numbers	81	85
Staff costs as a % of revenue income received from ESFA	87%	75%
Staff costs as a % of total revenue grant income	82%	70%
Staff costs as a % of total costs	73%	74%
Capital expenditure per pupil	£21	£1,175

Newton Regis Church of England Primary School	2018	2017
Pupil numbers	87	96
Staff costs as a % of revenue income received from ESFA	99%	93%
Staff costs as a % of total revenue grant income	88%	90%
Staff costs as a % of total costs	74%	73%
Capital expenditure per pupil	£1,305	£34

Warton Nethersole's Church of England Primary School	2018	2017
Pupil numbers	146	142
Staff costs as a % of revenue income received from ESFA	90%	89%
Staff costs as a % of total revenue grant income	82%	88%
Staff costs as a % of total costs	75%	72%
Capital expenditure per pupil	£Nil	£Nil

Woodside Church of England Primary School	2018	2017
Pupil numbers	210	184
Staff costs as a % of revenue income received from ESFA	92%	91%
Staff costs as a % of total revenue grant income	91%	89%
Staff costs as a % of total costs	78%	81%
Capital expenditure per pupil	£175	£31

Going Concern

The trust is considering transferring its academies to another multi academy trust during 2018/19, as a result the primary source of funding from the ESFA for the company will cease. For this reason the Academy Trust is preparing the financial statements on a winding up basis and measuring assets and liabilities at their recoverable amounts. No material adjustments are required as a result of ceasing to apply the going concern basis. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Overview**

The principal source of funding for the academy is the General Annual Grant.

Most of the multi academy trust's income is obtained from the 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 2018 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The multi academy trust also receives grants for fixed assets from the ESFA. In accordance with the Charities Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

At 31 August 2018 the net book value of fixed assets was £4,463,000 (2017: £4,400,000) and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The Local Government Pension Scheme (LGPS) figures as at 31 August 2018 are based on projecting forward the estimated position at 1 September 2017 and assuming that the experience over the period, apart from investment returns, has been in line with the assumptions made at the start of the period.

The estimated FRS102 deficit at 31 August 2018 is £621,000 which compares to a deficit of £681,000 at 1 September 2017. The main reason for the decrease in the deficit is because of:

- lower assumed rate of salary increases;
- higher assumed rate of future deferred pension revaluation and pension increases in payment;
- the difference between employer contributions and the service cost over the year;
- asset return over the year different to assumptions;
- assets at the date of admission to the fund were on a partially funded rather than fully funded basis;
- increased longevity of retiring members.

It should be noted that the balance sheet, profit and loss and statement of recognised gains and losses figures will be volatile over time. This is generally because the FRS102 liabilities are largely linked to corporate bond yields whereas the scheme invests a large part of its assets in equities.

Financial and Risk Management Objectives and Policies

The Trust's financial and risk management objectives are documented in its:

- Official budgets
- Scheme of delegation
- Financial regulations
- Risk management policy

These documents are available on request, and particular items which warrant specific disclosure are noted within this annual report.

At the time of reporting, the trust's identified key risks are:

- The risk of non compliance with the academy's funding agreement;
- The risk of achievement in core subjects being below expectations;
- Complying with legislative requirements regarding employment law, data protection, discrimination, Companies House and HMRC, child protection and safeguarding, the Charity Commission and the National Curriculum;
- Financial Risk - not operating within budget and running a deficit, changes in funding, falling pupil numbers, inappropriate or insufficient financial controls and systems, fraudulent activity and/or financial commitments made without adequate authorisation;
- Operational risks resulting from inexperienced or inappropriate staff being employed and inaccurate, out of date or inappropriate information;
- Condition of buildings acting as a barrier to achievement.

Mitigating action, both current and planned, has been identified to address these risks. This is also true of all other risks that have been formally identified which have a lower level of impact and/or likelihood.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Reserves policy**

The trustees review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of reserves for the current number of academies should be equivalent to 3 weeks expenditure, approximately £154,000 (2017: £154,000).

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. Any surplus reserves built up by the Academy are earmarked to cover:

- planned capital expenditure;
- improve the quality of learning and social spaces within the academy;
- forecast increases in employer contributions to the Local Government Pension Scheme.

The value of free reserves after deducting 3 weeks working capital requirements are £105,000 (2017: £124,000).

Financial position

The Academy held fund balances at 31 August 2018 of £4,101,000 (2017: £3,997,000), after allowing for the pension deficit of £621,000 (2017: £681,000); comprising £4,518,000 (2017: £4,486,000) of restricted funds and £204,000 (2017: £192,000) of unrestricted general funds.

Investment Policy

All investments are made in accordance with the policy of the trust. The trust's policy on investments are one of minimum risk with all investments being held with the trust's bankers. The trust will nevertheless seek to maximise interest receipts within this arrangement. This policy will be reviewed in the year ending 31 August 2019. Investments are made with regard to Charity Commission guidance in relation to investments.

PRINCIPLE RISKS AND UNCERTAINTIES

The board has considered the risks faced by the trust throughout its normal operational business. It has sought to address the risks faced by the trust by establishing appropriate governance and management arrangements, including the appointment of senior staff and other managers, and establishing robust operational policies. The board considers that these arrangements have been effective throughout the period being reported.

The Board intends to build on this success by establishing a formal risk management policy, which will formally document the managerial action that is taking place, and should enable future risk management to be more systematic.

Risk Management

The major risks to which the multi academy trust is exposed have been identified on the academy's Risk Register and are identified in the Financial Review on page 8. Trustees have reviewed the risks to which the multi academy trust is exposed and systems and procedures have been put in place to manage these.

Fundraising

Heartwood MAT does not use professional fundraisers. Any donations made are purely voluntary and no pressure is put on individuals to donate.

Plans for future periods

The deficit position of the Local Government Pension Scheme may result in an increase in employers pension contributions over a period of years. It is intended that the Academy will revisit its current business plans and budgets and ascertain how the pension costs might impact on the budgets in the future.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Auditors**

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 auditors, UHY Hacker Young (Birmingham) LLP, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

The Trustees' Report incorporating a Strategic Report was approved by the board of trustees, as the company directors on 12 December 2018 and signed on their behalf by:

.....
D Brill - Chair of Trustees

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2018**Scope of Responsibility**

As trustees, we acknowledge we have overall responsibility for ensuring that Heartwood Church of England 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.

The board of trustees has delegated the day-to-day responsibility to each of the academy Head Teachers, A Simpson, L Kilkenny and S Bostock 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 Heartwood Church of England 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 6 times during the year ended 31 August 2018. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a Possible
N Taylor	3	6
S Banks	5	6
D Brill	6	6
R Warrack	3	6
P Shaw	6	6
P Lavender	5	6
A Bufton McCoy	3	3

Governance Review

The Heartwood Church of England Academy Trust has carried out a fundamental review of its Governance during the second half of the year ended 31 August 2018 in conjunction with the Director of The Birmingham Diocesan Board of Education. This was done in response to evolving national advice and direction coming from Government, Ofsted, the teaching professions and The National Governors Association in regard to the role, responsibilities and structure of the Boards of Trustees for Multi Academy Trusts. The details of the agreed changes to the Heartwood's Trust Structure, Roles and Responsibilities and the Scheme of Delegation are recorded in the minutes and action schedules of Board Meetings and the Working Party Group formed specifically to assess and manage the changes. In brief the Trust Board is now adopting a 'Skills' basis for selection of Trustees rather than one based on representation. The key focus of the Board is to hold the individual schools to account on standards of pupils achievement and progress and on fiscal probity whilst maintaining a Christian Ethos throughout all its activities. This will be effected through two sub committees 'MAT Standards' and 'MAT Resources' and the rigour of a common reporting structure and timetable. The effect and success of the changes will be assessed and reviewed by the Board of Trustees as part of its self evaluation for the year ending 31 August 2018.

Review of Value for Money

As accounting officer, the Head of the MAT has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received. The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Review of Value for Money (cont'd)**

The accounting officer for the academy trust has delivered improved value for money during the year by:

- The MAT uses Diocesan appointed company to prepare and submit Condition Improvement bids on its behalf. In 2017-2018 we were successful in securing funding for a boiler replacement at Newton Regis Primary School.
- A decision was made at one school within the MAT to replace existing, almost obsolete, lighting with LED bulbs. The project will lead to greater efficiency and reduced electricity bills, as well as being more environmentally friendly.
- During 2017-2018, MAT resources were specifically directed towards improving progress in maths and increasing the percentage of children achieving 'greater depth' in writing. Significant improvements were achieved through collaborative continual professional development across the MAT and local Consortia, extending quality reading texts and physical resources and targeted interventions.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of multi academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Heartwood Church of England Academy Trust for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

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

The Risk and Control Framework

Heartwood Church of England Academy Trust 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 body;
- 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.

The board of trustees has considered the need for a specific internal audit function and has appointed an internal auditor - WES Finance. The reviewers role includes giving advice on financial matters and performing a range of checks on the multi academy trust's financial systems. In particular the checks carried out included:

- The financial responsibilities of the MAT Board and Local Governing Bodies are being properly discharged;
- Resources are being managed in an efficient, economical and effective manner;
- Sound systems of internal financial control are being maintained.

On a termly basis, the Peer Reviewer provides a report to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees financial responsibilities.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Review of Effectiveness**

As Accounting Officer of Heartwood Church of England Academy Trust, the officer has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control 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 12 December 2018 and signed on its behalf by:

.....
D Brill
Chair of Trustees

.....
N Taylor
Accounting Officer

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2018

As accounting officer of Heartwood Church of England Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency 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 2017.

I confirm that I and the multi academy trust board of trustees are able to identify any material irregular or improper use of funds by the multi academy trust, or material non-compliance with the terms and conditions of funding under the multi academy trust's funding agreement and the Academies Financial

I confirm that the following instance of material irregularity, impropriety or funding non-compliance have been discovered to date and have been notified to the Board of Trustees and ESFA:

- The Accounting Officer is not the senior executive leader of Heartwood Church of England Academy Trust, as required by the Academies Financial Handbook 2017.

N Taylor
Accounting Officer
12 December 2018

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2018

The trustees (who act as governors of Heartwood Church of England 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 2015 and the Academies Accounts Direction 2017 to 2018;
- 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 12 December 2018 and signed on its behalf by:

.....
D Brill
Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2018**Opinion**

We have audited the financial statements of Heartwood Church of England Academy Trust (the 'academy trust') for the year ended 31 August 2018 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 2015 and the Academies Accounts Direction 2017 to 2018 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 2018, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 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.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of Accounting Policies on page 25 concerning the charitable company's ability to continue as a going concern. The charitable company is reliant on the Education and Skills Funding Agency for the advancement of general annual grant. This funding will be withdrawn if Heartwood Church of England Academy Trust is transferred to another Multi Academy Trust during 2018/19.

This condition, together with the other matters set out in the Statement of Accounting Policies, indicates the existence of a material uncertainty which may cast significant doubt on the charitable company's ability to continue as a going concern in the longer term. For this reason the academy trust is preparing the accounts on a winding up basis and measuring assets and liabilities at their recoverable amounts. No material adjustments are required as a result of ceasing to apply the going concern basis.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Other information**

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

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

We have nothing to report in this regard.

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 16, 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 HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2018 (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

12 December 2018

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2018

In accordance with the terms of our engagement letter dated 18 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA), as included in the Academies Accounts Direction 2017 to 2018 we have carried out an engagement to obtain limited assurance about whether, the expenditure disbursed and income received by the multi academy trust during the year ended 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Heartwood Church of England 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 the Heartwood Church of England Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Heartwood Church of England Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Heartwood Church of England Academy Trust funding agreement with the Secretary of State for Education dated 29 August 2013, and the Academies Financial Handbook extant from 1 September 2017 for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies: Accounts Direction 2017 to 2018. We report to you whether, anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 August 2017 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 2017 to 2018 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 multi academy trust's income and expenditure.

Summary of the work undertaken was as follows:

- Analytical review of the multi academy trust's general activities are within the multi 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 multi academy trust on financial statements and on regularity;
- Sample testing of expenditure transactions to ensure the activity is permissible within the multi academy trust's framework of authority;
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the multi academy trust's delegated authorities;

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Approach (cont'd)**

- 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 multi academy trust's charitable objectives.

Conclusion

In the course of our work, except for the matter listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- The Accounting Officer is not the senior executive leader of Heartwood Church of England Academy Trust, as required by the Academies Financial Handbook 2017.

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

12 December 2018

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2018

(Including Income and Expenditure Account)

	Note	Restricted			Total 2018 £'000	Total 2017 £'000
		Unrestricted Funds £'000	Restricted General Funds £'000	Fixed Asset Funds £'000		
Income from:						
Donations and capital grants	3	13	-	152	165	117
Charitable activities:						
- Funding for the academy trust's educational operations	4	-	2,236	-	2,236	2,258
Other trading activities	5	106	97	-	203	145
Investments	6	-	-	-	-	-
Total		119	2,333	152	2,604	2,520
Expenditure on:						
Raising funds	7	14	-	-	14	26
Charitable activities:						
- Academy trust's educational operations	7 & 8	-	2,538	119	2,657	2,639
Total		14	2,538	119	2,671	2,665
Net income/(expenditure)		105	(205)	33	(67)	(145)
Transfers between funds	17	(93)	63	30	-	-
Other recognised gains and losses						
Actuarial gain on defined benefit pension schemes	27	-	171	-	171	489
Net movement in funds		12	29	63	104	344
Reconciliation of funds						
Total funds brought forward	17	192	(595)	4,400	3,997	3,653
Total funds carried forward	17	204	(566)	4,463	4,101	3,997

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 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	14	<u>4,433</u>	<u>4,400</u>
		<u>4,433</u>	<u>4,400</u>
Current assets			
Debtors	15	46	68
Cash at bank and in hand		<u>365</u>	<u>463</u>
		<u>411</u>	<u>531</u>
Current liabilities			
Creditors: Amounts falling due within one year	16	<u>(122)</u>	<u>(253)</u>
Net current assets		<u>289</u>	<u>278</u>
Total assets less current liabilities		4,722	4,678
Net assets excluding pension liability		<u>4,722</u>	<u>4,678</u>
Defined benefit pension scheme liability	27	(621)	(681)
Total Net Assets		<u><u>4,101</u></u>	<u><u>3,997</u></u>
Funds of the Academy:			
Restricted funds			
- Fixed asset fund	17	4,463	4,400
- Restricted income fund	17	55	86
- Pension reserve	17	<u>(621)</u>	<u>(681)</u>
Total Restricted Funds		<u>3,897</u>	<u>3,805</u>
- Unrestricted income fund	17	<u>204</u>	<u>192</u>
Total Unrestricted Funds		<u>204</u>	<u>192</u>
Total Funds		<u><u>4,101</u></u>	<u><u>3,997</u></u>

The financial statements on pages 22 to 44 were approved by the trustees and authorised for issue on 12 December 2018 and signed on their behalf by:

.....
D Brill
Chair of Trustees

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities	21	(98)	43
Cash flows from investing activities	22	-	-
Cash flows from financing activities	23	-	-
Change in cash and cash equivalents in the reporting period	24	<u>(98)</u>	<u>43</u>
Cash and cash equivalents at 1 September	24	463	420
Cash and cash equivalents at 31 August	24	<u>365</u>	<u>463</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018**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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Heartwood Church of England 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 trust is considering transferring all its academies to another multi academy trust during 2018/19, as a result the primary source of funding from the ESFA for the company will cease. 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 but there are material uncertainties about the Academy Trust's ability to continue as a going concern. For this reason the Academy Trust is preparing the financial statements on a winding up basis and measuring assets and liabilities at their recoverable amounts. No material adjustments are required as a result of ceasing to apply the going concern basis.

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 when receivable 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 creditors; amounts falling due within one year in deferred income.

• 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'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

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

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'.

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. 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 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. No depreciation is provided on leasehold land where the lease is more than 20 years. The principal annual rates used for other assets are:

Leasehold buildings	2%
Furniture and equipment	10%-15%
Computer equipment and software	33.33%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**Tangible Fixed Assets (cont'd)**

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.

Leased assets

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

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 15. 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 16. 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 multi 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 multi 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. As stated in Note 27, the TPS is a multi employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**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 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

2 GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the multi academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018 (see note 17).

3 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Total 2017 £'000
Academy capital maintenance grant	-	-	-	-
Devolved formula capital grant	-	42	42	11
Donations	13	-	13	8
CIF Grant	-	110	110	98
	<u>13</u>	<u>152</u>	<u>165</u>	<u>117</u>

The income from donations and capital grants was £165,000 (2017: £117,000) of which £13,000 (2017: £8,000) was unrestricted and £152,000 (2017: £109,000) restricted fixed assets.

4 FUNDING FOR THE MULTI ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Total 2017 £'000
DfE/EFA grants				
General annual grant (GAG) (note 2)	-	1,947	1,947	1,970
Pupil premium grant	-	91	91	106
Universal free school meals grant	-	90	90	83
Sports premium grant	-	68	68	34
	<u>-</u>	<u>2,196</u>	<u>2,196</u>	<u>2,193</u>
Other Government grants				
Special educational needs grant - LA	-	33	33	38
Pupil premium grant - LA	-	7	7	27
	<u>-</u>	<u>40</u>	<u>40</u>	<u>65</u>
	<u>-</u>	<u>2,236</u>	<u>2,236</u>	<u>2,258</u>

The income from the academy trusts' educational operations was restricted for both 2018 and 2017.

5 OTHER TRADING ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Total 2017 £'000
Sundry income	15	-	15	31
Lettings income	3	-	3	3
After school club income	72	-	72	43
Nursery club income	16	97	113	68
	<u>106</u>	<u>97</u>	<u>203</u>	<u>145</u>

The income from the academy trusts' other trading activities was £203,000 (2017: £145,000) of which £106,000 (2017:£98,000) was unrestricted and £97,000 (2017:£47,000) was restricted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

6 INVESTMENT INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Total 2017 £'000
Bank interest received	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The income from the academy trusts' investment income was unrestricted for both 2018 and 2017.

7 EXPENDITURE

	Non Pay Expenditure			Total 2018 £'000	Total 2017 £'000
	Staff Costs £'000	Premises £'000	Other Costs £'000		
Expenditure on raising funds					
- Direct costs	-	-	-	-	-
- Allocated support costs	-	-	14	14	26
Academy's educational operations					
- Direct costs	1,698	-	84	1,782	1,841
- Allocated support costs	342	221	312	875	798
	<u>2,040</u>	<u>221</u>	<u>396</u>	<u>2,657</u>	<u>2,639</u>
	<u>2,040</u>	<u>221</u>	<u>410</u>	<u>2,671</u>	<u>2,665</u>

The expenditure was £2,671,000 (2017: £2,665,000) of which £14,000 (2017: £26,000) was unrestricted, £2,538,000 (2017: £2,528,000) restricted and £119,000 (2017: £111,000) restricted fixed assets.

	2018 £'000	2017 £'000
Net income/(expenditure) for the year includes:		
Operating lease rentals	3	3
Depreciation	119	111
Fees payable to auditor for:		
Audit	5	5
Other services	2	2
	<u>2</u>	<u>2</u>

8 CHARITABLE ACTIVITIES

	Total 2018 £'000	Total 2017 £'000
Direct costs - educational operations	1,782	1,841
Support costs - educational operations	875	798
	<u>2,657</u>	<u>2,639</u>
Analysis of Support Costs		
Support staff costs	342	304
Depreciation	119	111
Technology costs	18	15
Premises costs	102	97
Other support costs	264	249
Governance	30	22
	<u>875</u>	<u>798</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

9 STAFF**a Staff costs**

	Total 2018 £'000	Total 2017 £'000
Staff costs during the year were:		
Wages and salaries	1,500	1,505
Social security costs	118	137
Operating costs of defined benefit pension schemes	388	375
	<u>2,006</u>	<u>2,017</u>
Agency staff costs	34	34
	<u>2,040</u>	<u>2,051</u>
Staff restructuring costs comprise:		
Redundancy payments	-	-
Severance payments	-	-
Other restructuring costs	-	-
	<u>-</u>	<u>-</u>

b Staff severance payments

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

c Staff numbers

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2018 expressed as whole persons was as follows:

	2018 No	2017 No
Charitable Activities		
Teachers	25	29
Administration and support	55	55
Management	7	5
	<u>87</u>	<u>89</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:

	No	No
£60,001 - £70,000	1	1

e Key management personnel

The key management of the academy trust comprise the trustees and the senior management team as listed on page 2. 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 £226,319 (2017: £198,970).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

10 CENTRAL SERVICES

The multi academy trust has provided the following central services to Austrey Church of England Primary School, Newton Regis Church of England Primary School, Warton Nethersole's Church of England Primary School and Woodside Church of England Primary School during the period:

- human resources;
- financial services;
- legal services;
- educational support services;
- accounting services.

The multi academy trust charges for these services the actual costs incurred based on the proportion of general annual grant income received by each school.

The actual amounts charged during the year were as follows:

	2018 £'000	2017 £'000
Austrey Church of England Primary School	11	12
Newton Regis Church of England Primary School	10	11
Warton Nethersole's Church of England Primary School	16	20
Woodside Church of England Primary School	21	27
	<u>58</u>	<u>70</u>

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 Head teacher and other staff trustees receive remuneration in respect of their contracts of employment as head teacher 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:

A Simpson (Head Teacher & Staff Trustee)		
Remuneration	£60,000 - £65,000	(2017: £60,000 - £65,000)
Employers pension contribution	£10,000 - £15,000	(2017: £10,000 - £15,000)
S Bostock (Head Teacher & Staff Trustee)		
Remuneration	£55,000 - £60,000	(2017: £55,000 - £60,000)
Employers pension contribution	£5,000 - £10,000	(2017: £5,000 - £10,000)
L Kilkenny (Head Teacher & Staff Trustee)		
Remuneration	£55,000 - £60,000	(2017: £55,000 - £60,000)
Employers pension contribution	£5,000 - £10,000	(2017: £5,000 - £10,000)

During the year ended 31 August 2018 or 31 August 2017 there were no travel and subsistence expenses reimbursed to the trustees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

13 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 academy has joined the DfE's Risk Protection Arrangement. The arrangement provides unlimited cover on any one claim and the cost for the year ended 31 August 2018 is included within the total insurance cost.

14 TANGIBLE FIXED ASSETS

	Leasehold Land & Buildings £'000	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 September 2017	4,544	190	35	4,769
Additions	-	137	15	152
Disposals	-	-	-	-
At 31 August 2018	<u>4,544</u>	<u>327</u>	<u>50</u>	<u>4,921</u>
Depreciation				
At 1 September 2017	311	38	20	369
Charged in year	79	29	11	119
Disposals	-	-	-	-
At 31 August 2018	<u>390</u>	<u>67</u>	<u>31</u>	<u>488</u>
Net book value				
At 31 August 2018	<u>4,154</u>	<u>260</u>	<u>19</u>	<u>4,433</u>
At 31 August 2017	<u>4,233</u>	<u></u>	<u>15</u>	<u>4,400</u>

15 DEBTORS

	2018 £'000	2017 £'000
Trade debtors	2	2
VAT recoverable	5	30
Prepayments and accrued income	<u>39</u>	<u>36</u>
	<u>46</u>	<u>68</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	20	155
Other creditors	1	1
Accruals	38	23
Deferred income	<u>63</u>	<u>74</u>
	<u>122</u>	<u>253</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (cont'd)

Deferred Income	2018 £'000	2017 £'000
Deferred income at 1 September	74	65
Resources deferred in the year	63	74
Amounts released from previous years	<u>(74)</u>	<u>(65)</u>
Deferred income at 31 August	<u>63</u>	<u>74</u>

At the balance sheet date the MAT was holding funds received in advance for 2018/19 for free school meals £53,406 (2017: £48,691), 2018/19 school trips £6,030 (2017: £4,493), ECB grant income £3,000 (2017: £Nil) and devolved formula capital £Nil (2017: £20,353).

17 FUNDS

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

	Balance at 1 September 2017 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2018 £'000
Restricted general funds					
General annual grant (GAG) (note i)	77	1,947	(2,041)	63	46
Pupil premium grant (note ii)	-	91	(91)	-	-
Start up grant (note iii)	-	-	-	-	-
Sports premium grant (note iv)	-	68	(68)	-	-
Special needs grant - LA (note v)	-	33	(33)	-	-
Pupil premium grant - LA (note ii)	-	7	(7)	-	-
School funds (note vi)	9	-	-	-	9
Universal free school meals grant (note vii)	-	90	(90)	-	-
Early Years Nursery Funding (note viii)	-	97	(97)	-	-
	<u>86</u>	<u>2,333</u>	<u>(2,427)</u>	<u>63</u>	<u>55</u>
Restricted fixed asset funds					
Fixed assets donation (note ix)	4,123	-	(77)	-	4,046
Devolved formula capital grant (note x)	26	42	(9)	-	59
Academy capital maintenance grant (note xi)	54	-	(6)	-	48
Other donations (note xii)	4	-	(3)	-	1
Capital expenditure from unrestricted (note xiii)	23	-	(6)	30	47
CIF Grant (note xiv)	170	110	(18)	-	262
Total restricted funds	<u>4,400</u>	<u>152</u>	<u>(119)</u>	<u>30</u>	<u>4,463</u>
Restricted pension scheme liability					
Pension reserve (note xv)	(681)	-	(111)	171	(621)
	<u>(681)</u>	<u>-</u>	<u>(111)</u>	<u>171</u>	<u>(621)</u>
Total restricted funds	<u>3,805</u>	<u>2,485</u>	<u>(2,657)</u>	<u>264</u>	<u>3,897</u>
Unrestricted funds					
Unrestricted funds	131	119	(14)	(93)	143
WCC prior years surplus b/fwd	61	-	-	-	61
Total unrestricted funds	<u>192</u>	<u>119</u>	<u>(14)</u>	<u>(93)</u>	<u>204</u>
Total funds	<u>3,997</u>	<u>2,604</u>	<u>(2,671)</u>	<u>171</u>	<u>4,101</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**17 FUNDS (cont'd)****Notes**

- i) General Annual Grant must be used for the normal running costs of the academy. Under the funding agreement with the Secretary of State, the multi academy trust was not subject to a limit on the amount of GAG that it would carry forward at 31 August 2018 (see note 2).
- ii) Pupil premium grant has been used to support children from low income families placed at the MAT.
- iii) Start up grant has been received from the ESFA to assist in covering costs on transfer to Academy status and to support additional cost pressures associated.
- iv) Sports premium grant has been received to enhance the educational teaching and equipment of Physical education.
- v) Special needs grant from the Local Authority has been used to support pupils with learning or behavioural issues by providing additional teaching support.
- vi) School funds are contributions received from parents which are used to support the Academy's educational activities.
- vii) Universal free school meals has been used to provide free school meals to pupils.
- viii) Early years nursery funding is received from Warwickshire County Council for free hour placements at the nursery facility.
- ix) Fixed asset donation is the value of the school that was transferred to the Multi Academy Trust upon conversion from the Local Authority.
- x) Devolved formula capital has been used to maintain the school through maintenance repairs and capital additions.
- xi) Academy capital maintenance grant has been used to renovate the kitchens.
- xii) Other donations comprise the Big Lottery grant and a PTA donation which was used to fund capital additions.
- xiii) Capital expenditure from unrestricted funds represents the excess of capital expenditure over the capital funding amounting to £30,000 (2017: £7,000).
- xiv) CIF grant has been used to replace boiler heating system within the schools.
- xv) The pension reserve represents the deficit on the Local Government Pension Scheme (note 27).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

17 FUNDS (cont'd)

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

	Balance at 1 September 2016 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2017 £'000
Restricted general funds					
General annual grant (GAG) (note i)	124	1,970	(2,089)	72	77
Pupil premium grant (note ii)	-	106	(106)	-	-
Start up grant (note iii)	-	-	-	-	-
Sports premium grant (note iv)	-	34	(34)	-	-
Special needs grant - LA (note v)	-	38	(38)	-	-
Pupil premium grant - LA (note ii)	-	27	(27)	-	-
School funds (note vi)	9	-	-	-	9
Universal free school meals grant (note vii)	-	83	(83)	-	-
Early Years Nursery Funding (note viii)	-	47	(47)	-	-
	133	2,305	(2,424)	72	86
Restricted fixed asset funds					
Fixed assets donation (note ix)	4,201	-	(78)	-	4,123
Devolved formula capital grant (note x)	21	11	(6)	-	26
Academy capital maintenance grant (note xi)	57	-	(3)	-	54
Other donations (note xii)	7	-	(3)	-	4
Capital expenditure from unrestricted (note xiii)	24	-	(8)	7	23
CIF Grant (note xiv)	85	98	(13)	-	170
Total restricted funds	4,395	109	(111)	7	4,400
Restricted pension scheme liability					
Pension reserve (note xv)	(1,066)	-	(104)	489	(681)
	(1,066)	-	(104)	489	(681)
Total restricted funds	3,462	2,414	(2,639)	568	3,805
Unrestricted funds					
Unrestricted funds	92	106	(26)	(41)	131
WCC prior years surplus b/fwd	99	-	-	(38)	61
Total unrestricted funds	191	106	(26)	(79)	192
Total funds	3,653	2,520	(2,665)	489	3,997

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

17 FUNDS (cont'd)

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

	Balance at 1 September 2016 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2018 £'000
Restricted general funds					
General annual grant (GAG) (note i)	124	3,917	(4,130)	135	46
Pupil premium grant (note ii)	-	197	(197)	-	-
Start up grant (note iii)	-	-	-	-	-
Sports premium grant (note iv)	-	102	(102)	-	-
Special needs grant - LA (note v)	-	71	(71)	-	-
Pupil premium grant - LA (note ii)	-	34	(34)	-	-
School funds (note vi)	9	-	-	-	9
Universal free school meals grant (note vii)	-	173	(173)	-	-
Early Years Nursery Funding (note viii)	-	144	(144)	-	-
	<u>133</u>	<u>4,638</u>	<u>(4,851)</u>	<u>135</u>	<u>55</u>
Restricted fixed asset funds					
Fixed assets donation (note ix)	4,201	-	(155)	-	4,046
Devolved formula capital grant (note x)	21	53	(15)	-	59
Academy capital maintenance grant (note xi)	57	-	(9)	-	48
Other donations (note xii)	7	-	(6)	-	1
Capital expenditure from unrestricted (note xiii)	24	-	(14)	37	47
CIF Grant (note xiv)	85	208	(31)	-	262
Total restricted funds	<u>4,395</u>	<u>261</u>	<u>(230)</u>	<u>37</u>	<u>4,463</u>
Restricted pension scheme liability					
Pension reserve (note xv)	(1,066)	-	(215)	660	(621)
	<u>(1,066)</u>	<u>-</u>	<u>(215)</u>	<u>660</u>	<u>(621)</u>
Total restricted funds	<u>3,462</u>	<u>4,899</u>	<u>(5,296)</u>	<u>832</u>	<u>3,897</u>
Unrestricted funds					
Unrestricted funds	92	225	(40)	(134)	143
WCC prior years surplus b/fwd	99	-	-	(38)	61
Total unrestricted funds	<u>191</u>	<u>225</u>	<u>(40)</u>	<u>(172)</u>	<u>204</u>
Total funds	<u>3,653</u>	<u>5,124</u>	<u>(5,336)</u>	<u>660</u>	<u>4,101</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

17 FUNDS (cont'd)

TOTAL FUNDS ANALYSIS BY ACADEMY

Fund balances at 31 August 2018 were allocated as follows:

	2018	2017
	Total	Total
	£'000	£'000
Austrey Church of England Primary School	18	19
Newton Regis Church of England Primary School	52	62
Warton Nethersole's Church of England Primary School	42	17
Woodside Church of England Primary School	104	129
Central services	43	51
Total before fixed assets and pension reserve	<u>259</u>	<u>278</u>
Restricted fixed assets fund	4,463	4,400
Pension reserve	<u>(621)</u>	<u>(681)</u>
Total	<u>4,101</u>	<u>3,997</u>

TOTAL COST ANALYSIS BY ACADEMY

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excl. depreciat'n) £'000	2018 Total £'000	2017 Total £'000
Austrey	287	57	15	79	438	443
Newton Regis	311	66	15	79	471	426
Warton Nethersole's	467	79	23	104	673	702
Woodside	633	116	31	124	904	922
Central services	-	24	-	42	66	61
Academy Trust	<u>1,698</u>	<u>342</u>	<u>84</u>	<u>428</u>	<u>2,552</u>	<u>2,554</u>

18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed assets	-	-	-	4,433	4,433
Current assets	204	-	177	30	411
Current liabilities	-	-	(122)	-	(122)
Pension scheme liability	-	(621)	-	-	(621)
	<u>204</u>	<u>(621)</u>	<u>55</u>	<u>4,463</u>	<u>4,101</u>

18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed assets	-	-	-	4,400	4,400
Current assets	192	-	339	-	531
Current liabilities	-	-	(253)	-	(253)
Pension scheme liability	-	(681)	-	-	(681)
	<u>192</u>	<u>(681)</u>	<u>86</u>	<u>4,400</u>	<u>3,997</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

19 CAPITAL COMMITMENTS

	2018	2017
	£'000	£'000
Contracted for, but not provided in the financial statements	6	Nil
Authorised by trustees, but not yet contracted	<u>Nil</u>	<u>Nil</u>

20 COMMITMENTS UNDER OPERATING LEASES**Operating leases**

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

	2018	2017
	Other	Other
	£'000	£'000
Operating leases which expire:		
. Within one year	2	3
. Within two to five years	-	3
	<u>2</u>	<u>6</u>

21 RECONCILIATION OF NET EXPENDITURE TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018	2017
	£'000	£'000
Net expenditure for the reporting period (as per the statement of financial activities)	(67)	(145)
Adjusted for:		
Depreciation (note 14)	119	111
Capital grants from DfE and other capital income	(152)	(109)
Interest receivable	-	-
Defined benefit pension scheme cost less contributions payable (note 27)	91	81
Defined benefit pension scheme finance cost (note 27)	20	23
Decrease in debtors	22	73
(Decrease)/increase in creditors	(131)	9
Net cash (used in)/provided by operating activities	<u>(98)</u>	<u>43</u>

22 CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	-	-
Purchase of tangible fixed assets	(152)	(109)
Capital grants from DfE/ESFA	152	109
Capital funding received from sponsors and others	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>

23 CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash (used in)/provided by financing activities	<u>-</u>	<u>-</u>

24 ANALYSIS OF CHANGES IN NET FUNDS

	At 31	At 31
	August	August
	2018	2017
	£'000	£'000
Cash in hand and at bank	365	463
Total cash and cash equivalents	<u>365</u>	<u>463</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)**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:

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

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'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 Warwickshire County Council Pension Fund. Both are defined multi employer benefit schemes.

As described in note 27 the LGPS obligation relates to the employees of the multi academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the multi academy trust at the balance sheet date.

The total pension cost to the Academy during the year ended 31 August 2018 was £388,000 (2017: £375,226) of which £157,000 (2017: £165,226) relates to the TPS and £231,000 (2017: £210,000) relates to LGPS.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

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

Teachers' Pension Scheme**Introduction**

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (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. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

Valuation of the Teachers' Pension Scheme (cont'd)

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.48% which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employers pension costs paid to TPS in the period amounted to £157,000 (2017: £165,226).

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

Under the definitions set out in Financial Reporting Standard (FRS 102) Retirement Benefits, 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 2018 was £260,000 (2017: £237,000) of which employers contributions totalled £231,000 (2017: £210,000) and employees contributions totalled £29,000 (2017: £27,000). The agreed employers contributions for future years are 26.4% (2017: 24.9%) for Austrey Church of England Primary School, 26.4% (2017: 24.9%) for Newton Regis Church of England Primary School, 26.4% (2017: 24.9%) for Warton Nethersole's Church of England Primary School and 26.4% (2016: 24.9%) for Woodside Church of England Controlled Primary School for employers and agreed employees contributions of 5.5% (2017: 5.5%) for Austrey Church of England Primary School, 5.5% (2017: 5.5%) for Newton Regis Church of England Primary School, 5.5% (2017: 5.5%) for Warton Nethersole's Church of England Primary School and 5.5% (2017: 5.5%) for Woodside Church of England Primary School.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

Local Government Pension Scheme (cont'd)

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.

Principal Actuarial Assumptions

The major assumptions used by the actuary were:	At 31 August 2018	At 31 August 2017
	% per annum	% per annum
Discount rate	12.0%	12.0%
Salary increases	2.8%	3.0%
Pension increase	9.8%	9.7%

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

	At 31 August 2018	At 31 August 2017
	Approx Change to Employers Liability £'000	Approx Change to Employers Liability £'000
Discount rate decreased by 0.5% per annum	233	215
Assumed pension increased by 0.5% per annum	181	158
Salary growth increased by 0.5% per annum	49	52

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

Local Government Pension Scheme (cont'd)

The mortality assumptions used were as follows:

	At 31 August 2018	At 31 August 2017
	years	years
Longevity at age 65 retiring today		
- Men	22.5	22.5
- Women	24.7	24.7
Longevity at age 65 retiring in 20 years		
- Men	24.3	24.3
- Women	26.7	26.7

The Academy's share of the assets in the scheme were:

	Fair value at 31 August 2018	Fair value at 31 August 2017
	£'000	£'000
Equity instruments	789	692
Debt instruments	275	234
Property	151	117
Cash	38	20
Total market value of assets	1,253	1,063
Present value of scheme liabilities		
- Funded	(1,253)	(1,063)
- Unfunded	(621)	(681)
Total liabilities	(1,874)	(1,744)
Deficit in the scheme	(621)	(681)

The actual return on the scheme assets in the year was £27,000 (2017: £17,000).

Amounts recognised in the Statement of Financial Activities

	2018	2017
	£'000	£'000
Current service cost	211	187
Interest income	(27)	(17)
Interest cost	47	40
Total operating charge	231	210

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

Local Government Pension Scheme (cont'd)	2018	2017
Changes in deficit during the year	£'000	£'000
Balance at 1 September 2017	681	1066
Movement in year:		
- Employer service cost (net of employee contributions)	211	187
- Employer contributions	(120)	(106)
- Expected return on scheme assets	(27)	(17)
- Interest cost	47	40
- Actuarial gains	(171)	(489)
Deficit in the scheme at 31 August 2018	621	681

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

	2018	2017
	£'000	£'000
Scheme liabilities at 1 September 2017	1,744	1,848
Current service cost	211	187
Interest cost	47	40
Contributions by scheme participants	29	27
Benefits paid	(10)	(6)
Actuarial gains	(147)	(352)
Scheme liabilities at 31 August 2018	1,874	1,744

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

	2018	2017
	£'000	£'000
Fair value of scheme assets at 1 September 2017	1,063	782
Expected return on scheme assets	27	17
Actuarial gains	24	137
Contributions by employer	120	106
Benefits paid	(10)	(6)
Contributions by scheme participants	29	27
Fair value of scheme assets at 31 August 2018	1,253	1,063

The estimated value of employer contributions for the year ended 31 August 2019 is £123,000 (2018: £112,000).

28 RELATED PARTY TRANSACTIONS

Owing to the nature of the multi 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 academy's financial regulations and normal procurement procedures. During the year ended 31 August 2018 there were no such transactions.

In entering into the transactions the trust has complied with the requirements of the Academies Financial Handbook 2018.

29 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no material adjusting or non adjusting events arising after the balance sheet date, although the trust is considering transferring to another multi academy trust during 2018/19, as a result the main source of funding from the ESFA will cease.