



HEART
EDUCATION TRUST

The HEART Education Trust
(A Company Limited by Guarantee)

Annual Report and Financial Statements
Year ended 31 August 2016

Company Registration Number: 08286818
(England and Wales)

Period of account
1 September 2015 to 31 August 2016.

Charity registration numbers
The HEART Education Trust is an exempt charity by virtue of s. 12(2) Academies Act 2010.

Contents

Reference and Administrative Details	1-2
Trustees' Report	3-23
Governance Statement	24-29
Statement on Regularity, Propriety and Compliance	30
Statement of Trustees' Responsibilities	31
Independent Auditor's Report on the Financial Statements	32-33
Independent Reporting Accountant's Report on Regularity	34-35
Statement of Financial Activities incorporating Income & Expenditure Account	36
Balance Sheet	37
Statement of Cash Flows	38
Notes to the Financial Statements, incorporating:	
Statement of Accounting Policies	39-44
Other Notes to the Financial Statements	45-62

Reference and Administrative Details

Members

As at 31 August 2016:

- Canon P Howard
- Michael Shaun Porter (appointed 16 September 2015)
- John Peter Crofts (appointed 18 September 2015)
- Michael Fagg (appointed 5 October 2015)
- Melanie Selvarajah (appointed 19 October 2015)

Resigned during the year:

- Kim Cushing (resigned 16 September 2015)
- Michael Randall (resigned 5 February 2016)

Trustees

As at 31 August 2016:

- Christina Kenna – Chief Executive Officer and Accounting Officer
- Sarah Porter – Staff Trustee
- Tim Newton
- Michael Randall
- Nicola Curle (appointed 17 November 2015)
- Michael Grimble (appointed 13 April 2016)

Resigned during the year:

- Dawn Turner (resigned 18 October 2015)
- Peter Cushing (resigned 6 March 2016)
- Kim Cushing (resigned 7 March 2016)
- Andrew Finck (appointed 17 November 2015, resigned 9 August 2016)
- Deborah Brown (appointed 13 April 2016, resigned 31 August 2016)

Local Advisory Board Members:

As at 31 August 2016:

- L Myles
- A Faulkes (appointed 27 January 2016)
- L Kidd (staff member)
- I Khan (staff member)
- D Hanwell (parent member)
- A Sinclair (staff member)
- K Daines (parent member)
- L Quinn (parent member)

Resigned during the year:

- C Taylor (parent member, resigned 31 August 2016)
- L Faulkes (staff member, resigned 31 August 2016)

Company Secretary

- Hazel Cabbage

Senior Management Team

- Christina Kenna (Chief Executive / Executive Headteacher)
- Hazel Cabbage (Business & Operations Executive)
- Sarah Porter (Staff Trustee)

Company Name

The HEART Education Trust

Registered Office

The HEART Education Trust, Heartsease Primary Academy, Rider Haggard Road, Norwich, Norfolk NR7 9UE

Company Registration Number

08286818

Independent Auditors

Larking Gowen

Bankers

Lloyds Bank Plc
16 Gentleman's Walk
Norwich
Norfolk
NR2 1LZ

Solicitors

Judicium Education
72 Cannon Street
London
EC4N 6AE

Trustees' Report 31 August 2016

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates 4 primary academies in Norfolk. Its academies have a combined pupil capacity of 1068 and had a roll of 1020 in the school census in October 2016. At the commencement of the accounting year, the Trust consisted of only one academy, Heartsease Primary Academy. However, the following academies were sponsored by the Trust and joined throughout the course of the accounting year:

Lingwood Primary Academy (1 October 2015);
Henderson Green Primary Academy (1 April 2016);
Valley Primary Academy (1 June 2016).

Structure, Governance and Management

Constitution

The trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the trust. The trustees of the trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The HEART Education Trust.

The company uses the following trading names: Heartsease Primary Academy, Lingwood Primary Academy, Henderson Green Primary Academy and Valley Primary Academy.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

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

The Trust purchases and maintains insurance for its directors under the government's Risk Protection Arrangement (RPA).

Method of Recruitment and Appointment or Election of Trustees

Trustees are appointed by the Board of Trustees under article 50 of the Trust's Articles of Association. Staff Trustees are appointed by the Board of Trustees under article 50A of the Articles of Association. The Chief Executive Officer is an ex officio trustee under article 57.

The Trustees actively recruit trustees from amongst stakeholders, the community and the professional networks of the existing Trustees and / or members. The trustees recruit new trustees on the basis of particular skills that they determine the Board of Trustees requires, having regard to any recommendations made by the members, trust senior management team, individual trustees, professional advisors, the DfE or the academy Local Advisory Boards.

In appointing new trustees, the Board of Trustees votes by a majority resolution at a fully quorate Board meeting. Where it is necessary to appoint a trustee outside of scheduled Board meetings the appointment is usually made by written resolution of the trustees (majority resolution). However, the Chief Executive Officer also has delegated authority to appoint a trustee in exceptional circumstances, and such appointment is then ratified by the Board of Trustees at the next fully quorate Board meeting. The Board of Trustees resolves to appoint a trustee based on verbal or written "pen portraits" outlined by the proposed trustee and / or the existing trustee who is recommending him. These pen portraits identify the proposed trustee's background, qualifications, skills and experience and specify what value the proposed trustee can add to the Board.

Policies and Procedures Adopted for the Induction and Training of Trustees

Trustees begin their induction by attending a Board meeting. New trustees are provided with copies of the Academies Financial Handbook, as well as the Articles of Association, a copy of the Master Funding Agreement, and the Charity Commission's guidance note "CC3: the essential trustee: what you need to know, what you need to do". They are also encouraged to review the Trust's framework policies.

Decisions as to what training may be required by Trustees are made by the Board with advice from the Chief Executive Officer. Following the close of the accounting year, the Trust purchased governance support from Norfolk County Council which gives all trustees access to such training courses and resources that they may require to competently perform their roles.

Organisational Structure

The Chief Executive Officer and Business and Operations Executive are responsible for the day-to-day running of the Trust and comprise the Trust's senior management team. The Chief Executive Officer is also the Accounting Officer of the Trust. The Board of Trustees have established a number of committees to ensure good governance and oversight, that are responsible for holding the senior management team to account. In February 2016, the Chief Financial Officer who was in post at that time convened a Finance Committee. The Committee met three times during the accounting year. On 6 June 2016, the Board of Trustees resolved to appoint an Education Performance & Standards Committee and a Risk Management Committee.

The Academy Headteachers are responsible for the day-to-day running of each academy. At the commencement of the accounting year, the Chief Executive Officer was also the Headteacher of Heartsease Primary Academy and therefore responsible for the day to day running of Heartsease Primary Academy. However, on 11 April 2016 the Board of Trustees appointed a new Headteacher to Heartsease Primary Academy and appointed the Chief Executive Officer as the Executive Headteacher of the Trust, who is thereby responsible for overseeing the day-to-day running of the academies. The Board of Trustees have established Local Advisory Boards to ensure additional governance and oversight, and these Boards are responsible for holding the academy senior leadership teams to account.

At the commencement of the year, the trustees gave effect to a new Scheme of Delegation dated 17 November 2015, under which the management of the business of Heartsease Primary Academy was delegated by the Board of Trustees to the Local Advisory Board of Heartsease Primary Academy. The trustees also gave effect to a Scheme of Delegation dated 17 November 2015, under which the management of the business of Lingwood Primary Academy was delegated by the Board of Trustees to the Local Advisory Board of Lingwood Primary Academy. However, in April 2016, the Board resolved to appoint triad based Local Advisory Boards, who would be responsible for the management of more than one Trust academy. Therefore, the trustees gave effect to a new Scheme of Delegation dated 6 June 2016, under which the management of the business of Heartsease Primary Academy and Lingwood Primary Academy was delegated by the Board of Trustees to the Triad 1 Local Advisory Board, and to a Scheme of Delegation dated 13 April 2016, under which the management of the business of Henderson Green Primary Academy and Valley Primary Academy was delegated by the Board of Trustees to the Triad 2 Local Advisory Board.

The Local Advisory Boards are entitled to exercise the powers of the Company in so far as they relate to the relevant academies under that Local Advisory Board's management, in accordance with the terms of the relevant Scheme of Delegation and the policies of the Trust. The principal decisions delegated to the Local Advisory Boards under the Schemes of Delegation include the following:

- Expending funds, entering into contracts and operating the Trust bank account in so far as these relate to the academies under that Board's management.
- Maintaining the buildings and facilities used in respect of the academies under that Board's management.
- Appointment and management of all staff employed at the academies under that Board's management, except for the Academy Headteacher, Deputy Headteacher or Assistant Headteachers.
- Setting and reviewing the curriculum and being responsible for the standards achieved by the academies under that Board's management.

Throughout the year, other key decisions and responsibilities remained with the Board of Trustees, including:

- Plans relating to Trust expansion, business development, marketing and branding.
- Ownership of Trust business plan and model.
- Project management of the conversion of the new joiner academies.
- Appointment of new Trustees to the Board.
- Implementation of new accounting software and procurement of budget planning software
- Procurement of broadband across all Trust academies.
- Continued negotiations with the Local Authority in relation to potential building expansion works at Heartsease Primary Academy.
- Submission of Companies House and EFA returns (including the Budget Forecast Return submitted to the EFA in July 2015).
- Decisions relating to the Trust's financial reserves.
- Setting of the Trust and individual academy budgets.
- The accounts and overall finance strategy of the Trust and its academies.
- Appointment of the Trust's Executive Headteacher.
- Pay and performance management of the CEO and BOE.
- Setting the ISRs for each Trust academy.
- Adoption of the trust's finance policies.

- Adoption of the trust's complaints policy.
- Adoption of the trust's risk policy.

The company members passed two resolutions in September 2015 to appoint other members.

Arrangements for setting pay and remuneration of key management personnel

The Trust's key management personnel are C Kenna (CEO/ Executive Headteacher); H Cubbage (Business and Operations Executive) and S Porter (a staff trustee who is remunerated for her employment as Interim Academy Headteacher).

The Board of Directors delegated the decision relating to the CEO's pay to a Pay committee, consisting of the Chair of trustees and Chief Financial Officer and an independent external advisor in December 2015. At this time, the CEO was remunerated for her roles as CEO and Headteacher at Heartsease Primary Academy. The Pay Committee based its decision for a performance related pay increment in respect of her role as Headteacher upon the Leadership payscale (STPCD) and the ISR of the academy, and awarded a one point increment. The Pay Committee awarded an additional one point increment in respect of the additional responsibility of the role as CEO as well as a further £329 per annum. The Pay Committee took into account the salaries of other academy Trust CEOs and headteachers as per published job advertisements available at the time. The CEO also received the 1% cost of living increment in September 2015 that all teaching staff across the Trust received.

In April 2016 the BOE received an automatic one point increment in line with all Trust support staff who were not already at the top of their pay scale. The BOE received a further 1% cost of living rise in April 2016 that all Trust support staff received.

On 11 April 2016 the Board of trustees appointed the CEO as the Trust's Executive Headteacher and set the remuneration for this role. The Board of trustees took into consideration the CEO's previous remuneration as Headteacher of Heartsease Primary Academy, the combined ISR of all the Trust academies, and benchmarked the proposed salary against other CEO, Executive headteacher and headteacher salaries according to job advertisements available at the time (both locally and nationally). The Board of trustees was content that the remuneration agreed upon for this role was towards the lower end of the range of salaries of similar sized Trusts.

S Porter is not remunerated for her role as a trustee. However, she is remunerated for her employment as Interim Headteacher and her remuneration is based upon the Leadership payscale (STPCD). S Porter's remuneration was set by the Board of Trustees who had regard to the ISR of the particular academies to which S Porter's two Interim Headteacher roles related, and the recommendations of the CEO. In both posts, S Porter's remuneration was set at a payscale point below the ISR for the relevant academy.

Related Parties and other Connected Charities and Organisations

The Trust is not part of a wider network although its academies do continue to work within their local clusters (as allocated by the Local Authority prior to conversion).

The following relationships with related parties exist:



HEART

EDUCATION TRUST

NAME	POSITION IN TRUST	TYPE OF INTEREST	DESCRIPTION OF INTEREST	DATE INTEREST AROSE	DATE INTEREST CEASED
C Kenna	Company Director	Direct relationship with Trust	Trust Employee under a contract of employment	01/04/2013	
S Porter	Company Director	Direct relationship with Trust	Trust Employee under a contract of employment	01/01/2014	
C Kenna	Company Director	Connected Party's relationship with Trust (individual)	C Kenna's daughter (H Cabbage) is the Business and Operations Executive of the Trust under a contract of employment.	06/07/2015	
S Porter	Company Member	Connected Party's relationship with Trust (individual)	S Porter's spouse (Sarah Porter) is a Company Director and an employee of the Trust under a contract of employment	16/09/2015	
N Curle	Company Director	Connected Party's relationship with Trust (company/firm)	N Curle works for Howes Percival which is the law firm that advises the Trust on its academy conversions (LPA, HGP and VPA). N Curle has no pecuniary interest and has no voting rights at Howes Percival. She is not a director at Howes Percival	17/11/2015	
A Finck	Company Director	Connected Party's relationship with Trust (company/firm)	A Finck works for PS Financials which is the company that supplies the Trust's core finance system. A Finck has no pecuniary interest and has no voting rights at PSF. He is not a director at PSF.	17/11/2015	09/08/2016
L Kidd	Member of the HPA Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	09/12/2015	29/06/2016
I Khan	Member of the HPA Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	09/12/2015	29/06/2016
L Faulkes	Member of the LPA Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	10/12/2015	29/06/2016
A Sinclair	Member of the LPA Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	10/12/2015	29/06/2016
A Faulkes	Member of the HPA Local	Connected Party's	A Faulke's mother (L Faulkes) is an employee of the Trust under a contract of employment	27/01/2016	29/06/2016



HEART EDUCATION TRUST

	Advisory Board	relationship with Trust (individual)			
M Grimble	Company Director	Connected Party's relationship with Trust (company/firm)	M Grimble was part of the working party to establish Educator Solutions, a commercial trading entity of Norfolk County Council that provides services to the Trust	13/04/2016	14/11/2016
L Kidd	Member of the Triad 1 Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	30/06/2016	
I Khan	Member of the Triad 1 Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	30/06/2016	
A Sinclair	Member of the Triad 1 Local Advisory Board	Direct relationship with Trust	Trust Employee under a contract of employment	30/06/2016	
A Faulkes	Member of the Triad 1 Local Advisory Board	Connected Party's relationship with Trust (individual)	A Faulke's mother (L Faulkes) is an employee of the Trust under a contract of employment and a member of the LPA Local Advisory Board	30/06/2016	
S Porter	Director	Connected Party's relationship with Trust (individual)	S Porter's daughter (M Hayes) is employed by the Trust under a contract of employment (Nursery Room Leader)	01/09/2015	
Hazel Cabbage	Business & Operations Executive	Connected Party's relationship with Trust (individual)	Hazel's mother (Christina Kenna) is the Trust's CEO (under a contract of employment) and Trust Director	06-Jul-15	

The Board of Trustees always ensures that relationships with connected parties are properly managed in order to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with its duties under the Academies Financial Handbook.

Objectives and Activities

Objects and Aims

The Trust's object is set out in Article 4 of the Company's Articles of Association:

- a) 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 ("the mainstream Academies") offering a broad and balanced curriculum or educational institutions which are principally concerned with providing full-time or part-time education for children of compulsory school age who, by reason of illness, exclusion from school or otherwise, may not for any period receive suitable education unless alternative provision is

made for them (“the alternative provision Academies”) or 16 to 19 Academies offering a curriculum appropriate to the needs of its students (“the 16 to 19 Academies”) or schools specially organised to make special educational provision for pupils with Special Educational Needs (“the Special Academies”);

- b) to promote for the benefit of the inhabitants of the areas served by the Academies, the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The Trust’s aims are set out in its mission statement, vision and key values, which are as follows:

Mission

The Trust is committed to improving the life-chances of children and young people through excellence in education, encouraging pupils to challenge themselves and hold high aspirations in their academic learning, personal and social development. Our aim is to achieve our Vision through adherence to, and the practical implementation of, our Key Values. We encourage pupils within our family of Academies to challenge self and externally imposed restrictions, hold high aspirations for their futures and develop a thirst for learning. We understand that the way to achieve this is through ensuring consistently high standards of teaching and broad opportunities for learning via a rich and relevant curriculum. Our Academies will ensure that our pupils are well prepared to make the most of future opportunities as citizens within an ever changing world.

The purpose of the Trust is to support its Academies by building upon their strengths so that they can work together to achieve rapid educational transformation. We strive for each of our Academies to become a centre of excellence and believe that they can achieve this through collaboration in closely linked small groups within the Trust’s structure to share support, resources and talents. We believe that it is essential these small hubs are led and mentored by successful professional leaders in education who are grounded in the day-to-day reality of effective school improvement. These Leaders constitute part of the Trust’s executive function that exists to regulate the performance of our Academies and our standards of teaching and curriculum.

Vision

Our vision is for every pupil to leave our Academies having identified and developed their knowledge, a range of skills and talents and a sense of their own uniqueness. We believe that by the end of their time at a Trust Academy, each one of our pupils should be confident in themselves and know that through hard work, dedication and perseverance, they are capable of achieving anything they aspire to.

Key Values

Passion — Working in education, we have the ability to profoundly change children’s lives. With such high stakes, our Academies must always be prepared to provide our pupils with the same standards that each member of staff would want for their own children.

Urgency — The time children spend in education is finite. We have a responsibility to ensure that every moment a child spends in one of our Academies is spent productively. Once wasted, a pupil’s time is irretrievable.

Positive Attitude — Every member of staff in our Academies has a personal responsibility to be positive and supportive of each other. This leads to high expectation and a culture where excuses are not tolerated. Everyone is accountable. Everyone must take responsibility.

Aspiration — As conveyed by the Trust's motto, "High Educational Aspiration Realises Talent", every person within our Academies, whether staff or pupil, should consistently aim for excellence in their individual roles.

Commitment — Staff must be prepared to go the extra mile to provide the best possible education for our Academies' pupils. The interests of children are always placed ahead of those of staff.

Innovation and Development – We believe that children's learning will be enhanced when leaders and staff evaluate their own performance and are committed to the professional development of themselves and others. This will include Academies keeping abreast of educational research into effective teaching and learning, and continually improving the educational experience of their pupils.

Objectives, Strategies and Activities

The Trust's main objectives for the year were as follows:

1) Raising & Maintaining Educational Standards

The Trustees intended to raise and maintain standards at each new academy that joined the Trust over the course of the accounting period, and to continue to raise and / or maintain standards at the Trust's existing academy. The key strategy for this was to be in appointing a Headteacher at Heartsease Primary Academy to enable the current Headteacher and Chief Executive Officer to step into an Executive Headteacher role to lead and manage the academy improvement strategy. This strategy was expected to encompass the following principal steps:

- All pupils at Heartsease Primary Academy would continue to make at least good progress with most exceeding expectation
- Shared teaching expertise across Trust academies would ensure consistency of expectations, outcomes and provision
- The Trust would increase the number of high achieving pupils per academy
- The trust would ensure consistent performance management of teaching and non-teaching staff across the Trust academies
- The Trust would continue to develop the assessment system and roll this out across all Trust academies to ensure consistency in standards
- The trust would continue to develop and implement and broad and balanced curriculum at each academy that meets the needs of that academy's pupils, having regard to developments and opportunities arising in the wider educational context (e.g. the challenge curriculum).

2) Completion of the Finance Programme

The Trust devised a finance programme identifying key areas of focus. Over the course of the accounting period, the Trust aimed to complete this finance programme, which was intended to include:

- Completion of the implementation of the new finance software (PS Financials);
- Full review of the Trust's financial policies including the Financial Scheme of Delegation (to be applicable to all Trust academies);
- Training for finance personnel;
- Undertaking financial modelling to support Trust growth plans and strategy;
- Conducting EFA benchmarking exercise;
- Improving monthly financial management information.

3) Continuation of Trust Expansion

The Trust intended to sponsor 2 further academies in this accounting period, including Lingwood Primary School (for which the conversion project was begun in the previous accounting period and completed on 1 October 2015). The Trust then intended to expand to an additional 2-3 academies over the rest of the accounting period. The Trust intended to further its business development strategy throughout the course of the accounting period, with completion of the rebranding exercise and the examination of other business development opportunities. This was to include the design of a new Trust website and new websites for each of the Trust's academies. The Trust also intended to collaborate with law firm, Howes Percival to host a seminar in early 2016 as part of its recruitment drive to bring other schools into the Trust.

4) Consolidation of Trust Infrastructure

The Trust intended to commence a programme to fully establish and consolidate its infrastructure during this accounting period. This was intended to involve the review and implementation of Trust framework policies, including HR, Finance, Health and Safety and Risk. The Trust intended to conduct a cost / benefit analysis in respect of centralising certain functions (such as finance) and to decide how best to proceed at that time and in the future, having regard to the new academies joining or likely to be joining the Trust. The Trust intended to continue to review its systems and operations and make appropriate changes over the course of the accounting period, which included implementation of a new management information system to ensure consistent academic reporting across the Trust academies.

Public Benefit

The Trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

Strategic Report

Achievements and Performance

During this accounting period, the Trust has achieved its objectives as follows:

Raising & Maintaining Educational Standards

The Trust's primary aim is, and will always be, to raise the academic standards of its academies to at least "good" and then to sustain that progress. This is crucial to the Trust achieving its object of advancing education in the United Kingdom as it achieves its expansion strategy of taking on more academies. Heartsease Primary Academy had previously been graded "good", but after a further Ofsted inspection in April 2016, was graded "Outstanding". This was a real achievement for the trust as Heartsease is the Trust's flagship school.

The Trust considers that it achieved this aim over the course of the accounting period. In line with its intended strategies, the trust appointed a headteacher to Heartsease Primary Academy on 11 April 2016 enabling the Chief Executive Officer to step fully into an Executive Headteacher role so that she could lead and manage improvement strategies across the Trust academies. In respect of Heartsease Primary, it was intended that all pupils would continue to make at least good progress with most exceeding expectation. The Ofsted grading of "outstanding" confirms that this progress was made

across the school. However, the key stage 2 results for Heartsease were disappointing at 31% which was well below the national average of 53%. Further down the school, the pupils in this cohort were affected by a series of staffing issues and did not make the progress needed over an 18 month period. The Trust was significantly able to accelerate learning and progress for this group during this accounting year so that progress was made in Years 5 and 6, but it was not sufficient enough to achieve national floor targets. The Trust is working to address this as part of its overall strategy of raising standards and prove that these results were an anomaly. The trustees are comforted that Ofsted assessed progress to be good overall and understands that Year 2 has demonstrated progress moving from below expected to above and at expected, which followed a lot of intervention work and strategic decisions by Trust and Academy senior leaders such as putting in the school's strongest teachers and appointing a new phase leader.

The Trust also intended to share teaching expertise across Trust academies would ensure consistency of expectations, outcomes and provision. Over the course of the accounting period, this was carried out. The Heartsease pupil premium lead co-ordinated pupil premium across the trust and ensured that consistent budgets were put together for the next accounting year. The assessment leads worked together to ensure a consistent approach was taken across all Trust academies. An assistant headteacher as Heartsease was sent to Lingwood as Interim Headteacher for half of the accounting period in order to stabilise the school. Upon the termination of his temporary contract, the trust agreed to send another accomplished assistant headteacher to Lingwood to take on the permanent headteacher role following the close of the accounting year. The Trust released a member of staff to spend time at Valley two months prior to its conversion, so that she was able to ease the transition for the school and then step into the role of Interim Headteacher from the conversion date so that progress could be made from day one. The Trust then sent an additional Heartsease teacher across to Valley following the close of the accounting year to support the Interim Headteacher as Assistant Head.

The Trust intended to increase the number of high achieving pupils per academy. This was most notably achieved at Lingwood Primary Academy, which exceeded floor targets in its key stage 2 results (80% combined against national average of 53%). This demonstrates the positive impact that academy conversion has had on this school.

The Trust intended to ensure consistent performance management of teaching and non-teaching staff across the Trust academies. Following the close of the accounting period, the Trust introduced a new Performance Management Policy and the Executive Headteacher quality assured these across the trust to ensure consistency in performance.

The Trust also intended to continue to develop the assessment system and roll this out across all Trust academies to ensure consistency in standards. During the course of the accounting year, Scholarpack was rolled out to each academy. The Trust began to hold regular assessment meetings to ensure that all schools were moderating in the same way and the Executive Headteacher began to quality assure assessment across all Trust schools.

The trust intended to continue to develop and implement a broad and balanced curriculum at each academy that meets the needs of that academy's pupils, having regard to developments and opportunities arising in the wider educational context. All academies signed up for the challenge curriculum following the close of the accounting year, which has enabled the trust to achieve this.

In July 2016, a Trust wide Behaviour policy was put in place to ensure that all academies are following same principles. Both Valley and Henderson Green senior leaders were instructed to reduce the number of pupil exclusions (fixed and permanent) from these academies.

Completion of the Finance Programme

During the accounting period, the Trust revised its finance programme to identify key areas to drive forward. This included completion of the implementation of the new finance software (PS Financials), which was rolled out across the head office, Heartsease and Lingwood in October 2015. The software was then launched at Henderson and Valley when each of those schools joined the Trust. The implementation of PS Financials involved a significant commitment from the trust as staff had to be trained and the 2015/16 budgets had to be completely reworked. The budgets had been set based upon the accounting codes of the predecessor system (Star) in July 2015, and the trust executive had to undertake a significant amount of work to translate the submitted budgets into the new system so that actual spend could be monitored against budget. This also involved the procurement and implementation of additional budget planning software and further training of staff.

Over the course of the year, the finance function was gradually centralised, with completion of this occurring following the close of the accounting year. A Finance Committee was established to improve financial governance and oversight. A programme of financial assurance was also put in place to provide independent assurance to trustees on the financial management of the trust by the executive team. The Trust also successfully applied to HMRC for a dispensation in relation to staff expenses.

Following the close of the accounting year, a full review of the Trust's financial policies was undertaken and a suite of new policies was adopted including a detailed Financial Scheme of Delegation. As part of this, a new month end procedure was put into place to improve the quality and reliability of the financial management information provided to trustees.

Continuation of Trust Expansion

The Trust successfully achieved its aim to sponsor further academies in this accounting period, with Lingwood joining in October 2015, Henderson joining in April 2016 and Valley joining in June 2016. The Trust completed its rebranding exercise, which included the design of a new Trust website and new websites for each of the Trust's academies, and uniforms and logos for each academy and the Bishy Barney Bees nursery. The Trust also successfully held its first seminar for other local schools on the topic of academy conversion, in collaboration with Howes Percival, Lloyds Bank and Larking and Gowen.

During the course of the accounting period, the nursery expansion project at Heartsease received final approval from the Local Authority and the Chief Executive met with a professional bid writer in relation to making a CIF bid in the next accounting period. The Trust also began to explore the possibilities of opening a free school.

Consolidation of Trust Infrastructure

Following the close of the accounting year, the Trust was able to review and implement framework policies for HR and Finance, and had adopted a Trust Risk Policy during the course of the accounting year. Following the close of the accounting year, the trustees also resolved to further the centralisation of Trust finance by appointing a Trust Support Manager to enable most of the finance administration to be removed from the academies. As part of the centralisation of finance, the trustees also resolved to amalgamate the existing five bank current accounts into one, upon appointment of a Trust Support Manager, which will be finalised over the course of the next accounting period.

During the course of the year, the Trust also undertook the following significant activities linking to the charitable activities:

- Continuing to run a private nursery – The Trust opened its first private nursery, Bishy Barney Bees, in April 2015, at Heartsease Primary Academy. During this accounting period, the provision was made available to two year olds and links to the Trust's charitable activities in two ways:
 - (1) it furthers the Trust's object to advance education as the Trust is providing an additional educational facility. Furthermore, as Heartsease Primary pupils start in Reception classes at below national standards, by offering this additional nursery provision the Trust is contributing to the improvement in standards of the pupils at Heartsease Primary Academy, who have a greater chance of starting Reception at national standards having attended Bishy Barney Bees.
 - (2) It furthers the Trust's object by providing a facility for the leisure time occupation of young children in the community that improves the condition of life for those children.
- Continuing to run the swimming pool at Heartsease Primary Academy – When Heartsease Primary Academy converted in 2013, the Trust agreed with the Local Authority to continue running the swimming pool at the academy (at a cost to the Trust) for the benefit of the academy's pupils and the local community. The Trust has continued to run the pool throughout the year, and has provided swimming sessions for parent and toddler groups as part of its object to promote the provision of facilities for recreation or other leisure time occupation for the inhabitants of the areas served by the academy.
- Breakfast and After School clubs – throughout the year the Trust has provided breakfast clubs and an after school clubs across its academies as part of achieving its object to promote the provision of facilities for recreation or other leisure time occupation for the inhabitants of the areas served by the academies.
- Peer to Peer financial assurance review for Evolution Academy Trust – The Trust undertook a peer to peer financial assurance review for another local multi academy Trust in order to provide independent assurance to that trust's board of trustees on the financial systems in place. This work linked to the Trust's charitable activities by assisting another academy trust with its financial compliance and regulatory obligations in order that it may continue to operate and further education at its own academies.
- Ofsted Inspection and Pupil Premium review – the CEO carried out an Ofsted inspection of another Norfolk school and undertook a pupil premium review for a local Pupil Referral Unit. This work linked to the Trust's charitable activities by furthering education in Norfolk and by generating additional funds to the Trust to further the education of the Trust's pupils.

Key Performance Indicators

In this accounting period, the Trust has used the following KPIs to assess its performance:

- Achievement
 - 1. Key Stage results across the academies
 - 2. Pupil attendance data across the academies
 - 3. Number of permanent exclusions across academies
- Financial
 - 1. Positive net cash inflow from operations
 - 2. Total pay as a percentage of GAG
 - 3. Total pay as a percentage of total income

- Teacher Performance
 1. Formal lesson observations
 2. Pupil outcomes as a measure of teaching standards
 3. Incidents of career progression

The following analysis is presented by the Trustees in respect of the KPIs identified above:

Achievement

1. Key Stage Results across the academies

	Trust Key Stage 2 Results (Combined)	National (Combined)	Average
Heartsease Primary	31%	53%	
Valley Primary	33%		
Henderson Green Primary	15%		
Lingwood Primary	80%		

National average for KS 2 results was 53% combined. Lingwood therefore exceeded national floor targets but the other three schools lagged behind. This was an anomaly for Heartsease Primary as previously discussed. Henderson joined shortly before the examinations and so this result is not representative of the Trust's work – however, it will be used as a benchmark for the 2016/17 results. Valley was not part of the trust at the time the examinations were taken by KS 2 pupils but has been included for completeness.

2. Pupil attendance data across its academies

School	Present All (excl. nursery) %	Authorised Absence %	Unauthorised Absence %
Heartsease	95.15	3.97	0.89
Lingwood	94.89	3.79	1.04
Henderson	94.14	4.27	1.03
Valley	94.68	4.59	0.99

In 2014/15 (the most recently published national data), the overall absence rate across state-funded primary, secondary and special schools was 4.6%. The results Trust shown here are slightly unreliable in that they include some 4 year olds who are not of compulsory school age. However, the results clearly show that Heartsease has the best attendance rate of the Trust schools, as this school has fully embedded the Trust's robust absence management policy. During the course of the year, the Trust was particularly concerned with the number of persistent absences at Lingwood and Henderson. In response, the Trust sent one of its most experienced pastoral managers (based at Heartsease) to these schools to work with them on addressing the way the academies deal with these absences. There has been an improvement following this intervention from the Trust.

3. Number of permanent exclusions across academies

School	No. Permanent Exclusions
Heartsease Primary	1
Lingwood Primary	0
Henderson Green Primary	1
Valley Primary	1

In 2014/15 (most recently available data), statistics show that Norfolk was amongst the local authorities with the highest level of permanent exclusions. The Trust does not support permanent exclusion except as a last resort and the trustees will be closely monitoring the numbers of both fixed term and permanent exclusions over the next accounting period. Further work has been done with Henderson Green and Valley in particular, the most recent joiner academies, to put measures into place to help reduce the number of both fixed term and permanent exclusions. National data for 2014/15 showed that persistent disruptive behaviour was the most common reason for permanent exclusions in state-funded primary schools. Across the Trust, a consistent behaviour policy has been put into places with a number of stages prior to escalation to fixed or permanent exclusions. The Trust will continue to fully implement the new behaviour policy in the next accounting period.

Financial

1. Positive net cash inflow from operations

The Trust has managed net cash inflow over the course of the accounting period to ensure that this remains positive month on month. The net cash inflow from operations as at 31 August 2016 was £388,239 (as compared to £234,521 at 31 August 2015 and £124,914 as at 31 August 2014).

2. Total pay as a percentage of GAG

The Total pay as a percentage of GAG for the year to 31 August 2016 was 91% which showed an increase of 10% as compared to the year to 31 August 2015.

3. Total pay as a percentage of total income

Total pay as a percentage of total income was 68% for the year to 31 August 2016 as compared to 61% to 31 August 2015 and 31 August 2014. Again, this is consistent with past years' performance and is broadly in line with trustee expectations. This figure demonstrates that the Trust has other revenue streams in addition to GAG, which include the private nursery Bishy Barney Bees and its swimming pool lettings at Heartsease Primary Academy. There is also a long term letting at Valley Primary Academy in respect of a lease to another nursery provider.

1. Formal lesson observations

All teachers at Heartsease Primary Academy and Lingwood Primary Academy underwent a performance management programme during the year to 31 August 2016, through which they were formally observed a minimum of three times. At Heartsease, teaching was consistently good or outstanding in the majority of lessons. Henderson Green and Valley joined the Trust after the beginning of the performance management cycle, but teachers took part in a number of teaching audits and lesson drop ins by senior leaders throughout the rest of the cycle.

Where teaching was judged less than good, follow up observations, support and action plans were instigated. Teachers have received training in “assessment without levels” and the Challenge Curriculum in addition to subject training, Pupil Premium, Safeguarding and Prevent training.

2. Pupil outcomes as a measure of teaching standards

The Trustees are satisfied that pupil outcomes are in line with consistently good teaching as a minimum at Heartsease Primary Academy. However, further development in teaching and learning is required at the other three academies in the next accounting period.

3. Incidents of career progression

The accounting period demonstrated significant development in leadership. One Assistant Head (S Porter) was given a second Interim Headship appointment during the course of the year. Two Assistant Heads (M Cresswell and A Burrell) were promoted to Interim Headteacher and Headteacher respectively. Two teachers (I Khan and S Walker) were promoted to Assistant Head positions. One Headteacher (C Kenna) was promoted to Executive Headteacher. Two Teach First students at Heartsease Primary Academy completed their first year and progressed to their second year as NQTs following the close of the accounting year.

Going Concern

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

Financial Review

From 1 September 2015 the Trust received funding directly from the Secretary of State for Education on a monthly basis in the form of the General Annual Grant, in consideration for the Trust undertaking to establish and maintain, and carry on or provide for the carrying on of a number of academies. Total GAG received for the period was £3,057,175. The Trust also receives funding from the Local Authority and additional EFA funding, which in this accounting period included funds inherited upon conversion in respect of Henderson Green and Valley. The Trust generated a further £34,264 during the period in respect of lettings, and £95,058 in respect of its private nursery (of which £78,946 was from the Local Authority in respect of funded places). The total income for the year to 31 August 2016 was £15,028,180 (before pension deficit on conversion), comprised of £4,516,812 of revenue income plus an additional £10,511,368 of fixed assets transferred into trust for new academies. The total

expenditure was £4,559,440, which included a £619,000 local authority pension scheme adjustment, and £560,000 pension deficit on conversion, and was covered by incoming resources and resulted in a total surplus of £10,468,740 before actuarial movements.

At 31 August 2016 the netbook value of fixed assets was £11,022,472 and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively for the furthering of the Trust's object as defined in Article 4 of the Articles of Association. In accordance with FRS102 the Trust received an actuarial assessment of pension scheme deficit. The deficit balance is included in the Balance Sheet as at 31 August 2016 and note 22 to the financial statements.

Reserves Policy

The Trust's reserves policy requires the Trustees to carry forward a prudent level of the General Annual Grant for medium to long term requirements of the Trust's academies and in relation to the Trust's contingency fund (e.g. in relation to unplanned repair costs at its academies). The Trustees resolved to hold 1.5 month's payroll across the Trust as a contingency sum in this accounting period (a total contingency fund of £473,296 on the basis of the 2015/16 budgets). The trustees resolved to hold a further £72,201.08 as a Building Maintenance Contingency fund for future capital works that academies cannot fund themselves out of revenue or capital income. The trustees have allocated a further £50,000 to building renovation works required at Valley Primary in respect of urgent work needed to replace windows and toilets. A further £26,401 is being carried forward in respect of Bishy Barney Bees. All of these amounts fall within the unrestricted funds of £1,255,980 held by the Trust as at 31 August 2016.

The restricted funds held as at 31 August 2016 were £10,476,031 which includes the Local Government Pension Scheme Deficit of £1,378,000, GAG funds carried forward of £598,304, Other Government Grants of £18,634 (the balance of the Sponsor Capacity Grant), Conversion Grants of £101,678 (which has been reallocated to the Trust's Academy Improvement Fund post yearend) and restricted fixed asset funds of £11,135,415. Excluding the fixed asset funds, the total restricted and unrestricted funds held at 31 August 2016 was therefore £596,596.

Investment Policy

As the trustees of a charity and an academy trust, the Trustees may make investments to further the Trust's charitable aims, but must ensure that investment risk is properly managed. In order to achieve this, the Trustees follow an investments policy when making and reviewing Trust investments. The Trustees regularly monitor the Trust's cashflow and bank accounts to ensure that adequate cash balances are maintained across its current accounts to cover the Trust's day-to-day working capital requirements without becoming overdrawn. The Trustees shall only consider the investment of funds that are surplus to these working capital requirements. The Trustees shall only make an investment where they are persuaded that there is no risk of loss in the capital value of any of the cash funds invested.

When considering making an investment, the Trustees:

- act within their powers to invest as set out in Article 5 of the Trust's Articles of Association;
- exercise care and skill in all investment decisions, taking advice as appropriate from a professional adviser or someone experienced in investment matters (unless there is a good reason not to);



HEART EDUCATION TRUST

- ensure that all investment decisions are in the best interests of the Trust and command broad public support;
- ensure that the investment will achieve value for money for the Trust (within the context of the risk appetite set out in the trust's Investment Policy);
- ensure that the decision follows the Charity Commission's guidance "CC14 Charities and investment matters: A guide for trustees" and the EFA's Academies Financial Handbook.

The Trustees always seek the EFA's prior approval for any investment transactions which are novel and/or contentious. The only investment that the trustees made in the current accounting period was to place £286,579.14 into a 32 day notice bank account to benefit from a higher level of interest.

Principal Risks and Uncertainties

The Trust maintains a Risk Register to identify the principal risks and uncertainties to which the Trust is exposed, which is regularly reviewed by the Board of Trustees as part of the Trust's ongoing risk management strategy. The Risk Register was revised in April 2016, to identify the following key categories of risk: Strategic & Reputational, Operational, Financial, Risk & Compliance, Safeguarding, Health & Safety.

In the current accounting period the following principal risks and uncertainties were identified by the Trustees and the following actions were taken to mitigate these:

Strategic & Reputational

- Risk that insufficient demand for services leaves Trust unsustainable (e.g. lack of new joiner academies). The current political view is that multi academy trusts should expand to at least 25 academies and it is clear that smaller MATs are not financially sustainable. The trust's strategy is to sponsor the most challenging schools, but this requires the trust to balance its necessary expansion with sustaining pupil progress at its existing academies (and particularly with maintaining its "outstanding" grading at Heartsease Primary). The CEO has been working closely with the DfE following the close of the accounting period to ensure that pupil progress continues and that the trust is in a strong enough position to be able to sponsor further academies towards the end of the next accounting year.
- Public Profile Risk: a high level of reserves could be construed by the public to be evidence that the trust is not spending enough on its charitable objectives. This has been mitigated by the trust having clear strategies in place for any reserves it holds and, in light of financial uncertainty, the trustees have determined that a higher level of reserves is considered prudent.

Operational

- Risk that financial and non-financial information produced for trustees is not accurate or does not suitably monitor performance. Trustees identified that mistakes could be made and quality impaired due to limited space at schools for finance staff to work without interruption during inputting. This was mitigated by a spare desk being provided in the head office, and by the finance function being centralised over the course of the year. From April 2016, finance staff were given a specific day for finance work at Trust offices. New joiner academies were required to adopt Trust pupil assessment system to ensure suitable performance data was also being produced. Full centralisation of finance was achieved following the close of the accounting year.

- Risk that management information is out of date. The in year change to finance systems led to unplanned delay in regular production of financial information. This has been mitigated by the implementation of a new month end procedure following the close of the accounting year to ensure the monthly production of management information.
- Risk identified that the trust could be unable to recruit high enough calibre of Local Advisory Board members or trustees. The trust continues to recruit by skillset, using stakeholder professional networks and social media networks. The trust has also had conversations with Academy Ambassadors around trustee recruitment.
- Key person loss / succession risk. Trust has mitigated this with clear internal career progression paths and strategic succession planning.
- Risk arising from a lack of central Trust control over recruitment and contract terms. The Trust mitigated this risk by centralising payroll and HR following the close of the accounting period. All new appointments and contract variations must now go through central head office.
- Risk that insurance is not in place or has lapsed in respect of Trust owned land and / or buildings. This has been mitigated by the Trust entering into the government's Risk Protection Arrangement.
- Risk that a conditions survey identifies significant requirements. This has been mitigated by the trust ring fencing a central building maintenance fund within its existing reserves that non PFI academies have begun to contribute to following the close of the accounting year.

Financial

- Risk that actual performance is not measured against budget on a regular basis. This has been mitigated by establishing a Finance Committee in February 2016 and by the adoption of the month end procedure following the close of the accounting year.
- Risk that bank and other reconciliations are not completed and / or reviewed. This has been mitigated by the adoption of the month end procedure following the close of the accounting year and a revision of the Trust's Finance Policy.
- Risk that governance model for the Trust is ineffective at securing the necessary probity and scrutiny required to secure public funds. This was mitigated by establishing a Finance Committee in February 2016 and the adoption of a suite of centralised finance policies following the close of the financial year.

Health & Safety

- Risk that no regime for statutory inspections is in place / the regime in place is not adequate. The Trust has taken steps to ensure centralised management of statutory inspections following the close of the accounting period.

In order to mitigate further additional risks that the Trust and its academies may be exposed to, the Trustees convened a Risk Management Committee in June 2016 and adopted a new Risk Policy that requires Local Advisory Boards to carry out termly self-assessments and report principal risks and uncertainties that it identifies to the Trustees.

Plans for Future Periods

Over the course of the next accounting period, the Board of Trustees intends to work towards achieving the following objectives:

- 1) *To maintain the sponsor school's "outstanding" grading and to accelerate the Trust's other existing schools to "good" or "outstanding" by their next Ofsted*

Heartsease Primary Academy achieved an "Outstanding" grading from Ofsted in April 2016. The Trust is working to maintain this Outstanding grading. Lingwood Primary Academy has a historical "special measures" grading, Henderson Green has a historical "requires improvement" grading and Valley Primary has a historical "good" although at the point of conversion the Trust and its external advisors judged that an Ofsted inspection at that time would have led to a "special measures" grading. It is the trust's aim to raise the grading of these three academies to at least good over the course of the next two years.

- 2) *Progress and attainment to exceed floor targets across the academies*

Three of the Trust's academies are within the bottom 15% of schools nationally and it will take time to achieve this level of improvement in pupil standards. However, the Trust will be working towards this overall objective.

- 3) *To achieve excellence in leadership and governance*

The Trust has worked to strengthen its governance structure over the course of the current accounting period, putting three central committees in place (Finance, Risk Management, Education Performance & Standards) and establishing triad based Local Advisory Boards. The trust intends to continue strengthening its governance as centralised policies and systems are put into place. The Trust will continue to strengthen its leadership capacity through recruitment, training and mentoring.

- 4) *To lay the foundations for increasing the number of academies within the Trust in future years*

The Board of trustees will need to consider whether it wishes to increase the number of academies within the trust in the next accounting period or to consolidate in preparation for future growth. At this stage, senior management are in the process of consolidating and anticipate that additional academies will not be taken into the Trust until later in the accounting period if not the one after. The Trust intends to continue to sponsor challenging schools, and it is crucial that the trustees are confident that the Trust has sufficient resources and capacity before taking on its next academy. As the Trust centralises many of its operating functions, it is in a stronger position to expand in the near future.

- 5) *To expand the Bishy Barney Bee brand*

The Trust intends to roll out its Bishy Barney Bee nursery brand across more of its existing academies and any new academies that join. Many pupils commencing their education at the trust's academies are not "school ready", and the Trust intends to use its Bishys brand to ensure a consistent approach to preparing 2-5 year olds for their school education, which in turn will lead to improved pupil standards further up the schools. The Trust has already successfully established its first Bishy Barney Bee nursery at Heartsease Primary.

- 6) *To achieve a solution for behavioural issues across the Trust and wider community*

The Trust has already been liaising with the DfE and Local Authority about providing alternative provision to address the increasing number of exclusions within the county. The trust is speaking to the Local Authority about what it can do to alleviate the growing pressure

on the Authority to accommodate children with behavioural issues who are not receiving the appropriate support within mainstream settings. The Trust is in the process of launching its own internal solutions and has appointed a behavioural specialist teacher to lead on rolling out a solution that has already been piloted at one of the Trust academies.

- 7) *To close the financial year with a total expenditure figure that is lower than or equal to the total income figure*

The Trust intends to adhere to the balanced budget it put forward to the EFA in July 2016 (subject to in year revisions) to ensure that there is no in year deficit. However, there are certain exceptions to this aim, and the trust will be using its existing reserves designated to academy improvement in order to fund rapid improvement across its academies. However, the trust intends that general running costs will not exceed income.

- 8) *To review and then monitor staffing across the Trust to ensure maximum efficiency and impact.*

The Trust has been centrally monitoring the appointment and redeployment of staff across the Trust to ensure maximum efficiency and has already been able to achieve significant cost savings through processes such as natural wastage. The Trust also commenced review of certain Trust wide functions following the close of the accounting period.

- 9) *To complete the centralisation of Trust Finance and HR.*

The Trust began centralising finance in the current accounting period. The Trust appointed a Trust Support Manager to the head office following the close of the accounting period to complete the centralisation of finance. The Trust centralised payroll in October 2016 and is already in the process of centralising HR. The Trust will continue to centralise such functions to ensure a sustainable operating model over the coming years.

Funds Held as Custodian Trustee on Behalf of Others

The Trust does not currently hold any funds on behalf of others as a custodian trustee.

Auditor

Insofar 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.



HEART
EDUCATION TRUST

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on th30 December 2016 and signed on the board's behalf by:

S Porter

Trustee

th30 December 2016

Governance Statement

Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that The HEART Education Trust has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board of trustees has delegated the day-to-day responsibility to the Chief Executive, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The HEART Education 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 8 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

	Meetings Attended	Out of a possible
M Randall (Vice Chair)	1	8
C Kenna (Ex Officio)	8	8
T Newton	6	8
S Porter (staff trustee)	8	8
D Turner (resigned 18 Oct 15)	1	1
K Cushing (Chair, resigned 7 March 16)	4	4
Peter Cushing (resigned 6 March 16)	4	4
Nicola Curle (appointed 17 Nov 15)	4	7
Andrew Finck (appointed 17 Nov 15, resigned 9 Aug 16)	3	6
Deborah Brown (Chair, appointed 13 Apr 16, resigned 31 Aug 16)	4	4
Mike Grimble (appointed 13 Apr 16)	4	4

There have been a number of changes to the composition of the Board of Trustees over the course of the accounting period. A number of trustees had to step down due to other commitments, changes

to their personal affairs or relocation. The trustees promptly recruited replacement trustees on the basis of the skillsets required. A particular challenge for the board was that of those trustees that stepped down, two held the position of chair and three held the position of chief financial officer. Following the close of the accounting period, the trustees resolved to no longer elect a non-executive trustee as chief financial officer as the level of work involved meant that the time commitment required by the trustee holding this post was too great.

In January 2016, the Board of trustees considered a SWOT analysis in conjunction with the CEO's comments in response to the internal evaluation criteria framework. The SWOT analysis identified the following weaknesses:

- Difficulty in finding and retaining volunteer Board trustees and LAB members. However, the success of the board in recruiting replacement trustees throughout the year suggests that this is no longer an issue. For the next accounting period, the Trust has reduced the number of trustee board meetings to 4 per year and convened established additional committees to deal with specific operational areas (risk, finance, and pupil progress) to utilise volunteer time more effectively and efficiently.
- Chair of trustees not visible. Following the SWOT analysis, there was far greater engagement of trustees, including the chair
- Board engagement with Members. The Trust intends to ensure greater engagement going forward.
- No plans seen by the Board showing the capacity to support additional academies. Following the SWOT analysis, the CEO developed a standardisation matrix, identifying 18 areas across which progress is monitored each half term. In addition, she provided a "scope of work and key personnel" document to show the staffing capacity the trust has to support additional academies. Finally, the subsequent procurement of sophisticated budget planning software meant that trustees could also have more visibility of the trust's financial capacity to support additional academies.
- Limited educational expertise on Board to challenge Trust employees on educational issues. Following the close of the accounting period, the Trust appointed a new trustee with a wealth of educational experience.
- Communications with LABs still in their infancy. The changes to governance that the trustees put in place meant that communication between LABs and trustees could be better facilitated. Use of a shared software platform following the close of the accounting period also means that communication is much improved. In addition, the BOE and / or CEO attended many of the Local Advisory Board meetings throughout the year to facilitate good communication between the LABs and trustees.
- Policies and systems still being worked on and awaiting to be finalised. Following the close of the accounting period, the trust adopted a suite of centralised HR and finance policies and is now about to commence a project to centralise health and safety policies.

In the next accounting period, the trust intends to hold a peer to peer trustee appraisal with another local MAT. The trust will also undertake further self-reviews.

The Finance Committee is a sub-committee of the main board of trustees. Its purpose is to act in an advisory capacity to the Board of trustees and the Chief Financial Officer in all matters financial; authorise each academy's annual budget and revisions; scrutinise monthly management information; review all financial assurance reports in relation to the effectiveness of the financial procedures and controls; ensure compliance by the trust with the Academies Financial Handbook.

Attendance at meetings in the year was as follows:

	Attended:	Out of a Possible:
C Kenna	1	2
H Cabbage	2	2
P Cushing	1	1
A Finck	2	2
L Myles	1	2
M Grimble	2	2

When the Finance Committee was first established in February 2016, H Cabbage and C Kenna were appointed as members. However, following Trust wide changes to governance in June 2016, H Cabbage and C Kenna stepped down from the committee as it was agreed that the purpose of the committee was to hold the Trust executive team to account and therefore no employee of the trust should sit upon that committee.

The Heartsease Primary Academy Local Advisory Board and Lingwood Primary Academy Local Advisory Board were sub committees of the board of trustees, established to oversee the management of the relevant academies. These two committees were replaced by the single Triad 1 Local Advisory Board in June 2016. Attendance at these meetings during the year were as follows:

HPA LAB

	Attended:	Out of a Possible:
L Myles	4	4
A Faulkes (appointed 27 Jan 16)	3	3
L Kidd (staff member)	3	4
I Khan (staff member)	4	4
D Hanwell (parent member)	3	4
C Taylor (parent member)	2	4

LPA LAB

	Attended:	Out of a Possible:
L Faulkes (staff member)	4	4
A Sinclair (staff member)	4	4
K Daines (parent member)	3	4
L Quinn (parent member)	4	4

Triad 1 LAB

	Attended:	Out of a Possible:
L Myles	1	1
A Faulkes	0	1
L Kidd (staff member)	1	1
I Khan (staff member)	1	1
D Hanwell (parent member)	1	1
A Sinclair (staff member)	1	1
K Daines (parent member)	0	1
L Quinn (parent member)	1	1

In June 2016, the Triad 2 Local Advisory Board, Risk Management Committee and Education Performance & Standards Committee were established but these committees did not meet until the next accounting period.

Review of Value for Money

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

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where appropriate. The accounting officer for the trust has delivered improved value for money during the year by:

- Carrying out rigorous procurement exercises for all major contracts to ensure value for money. This year, the Trust has carried out procurement exercises in relation to broadband, photocopiers and budget planning software. By procuring these contracts centrally, the trust was either able to benefit from discounts generated by economies of scale, or was able to negotiate harmonised contract lengths so that in the future a single procurement process can be carried out and the trust will be more likely to benefit from economies of scale in the future.
- Agreeing discounts for SLAs provided by the Local Authority where all schools within the Trust have signed up for these
- Ensuring the revision of the Financial Scheme of Delegation, which requires that over a certain threshold (dependent on size of academy), Local Advisory Board approval is required prior to authorisation of a purchase order by the Academy Headteacher. Local Advisory Board approval will only be provided where three quotes have been obtained and a value for money form completed.
- By centralising Finance and HR, the trust has been able to save on staffing costs within its school offices, and on licence costs for financial software.

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 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 The HEART Education Trust for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the 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 trust's significant risks that has been in place for the period 1 September 2015 to 31

August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

The board of trustees has considered the need for a specific internal audit function and decided on the following programme of financial assurance for this accounting period:

- External Financial Assurance visits under a service contract with Norfolk County Council
- An internal review of the accounting software by the Trust's CFO
- A supplementary external review by the Trust's auditors (this additional measure was procured on the basis of the rapid expansion from 1 to 4 academies during the course of the financial year, and the implantation of new financial software).

For the next accounting period, the trust has agreed to the following financial assurance programme:

- A peer to peer financial assurance review with another local MAT
- Termly external Financial Assurance visits under a service contract with Norfolk County Council
- Monthly reviews by Business and Operations Executive to be shared with Finance Committee.

Under the trust's programme of financial assurance, trustees are provided with advice on financial matters and assured that a range of checks have been performed on the trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- testing of compliance with financial policies (including compliance with authorisation thresholds)
- review of significant variances in actual spend against budget

On at least an annual basis, financial assurance reports are provided to the board of trustees, through the Finance Committee, on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. In the next accounting period, such financial assurance reports will be provided at least termly.



HEART EDUCATION TRUST

As a result of the financial assurance programme during the current accounting period, it became evident that there was no set month end procedure in place and therefore certain aspects were not being dealt with regularly (e.g. VAT 126 claims). In addition, the Finance Policy and Financial Scheme of Delegation was out of date. Following the close of the accounting period, the trust adopted a new suite of finance policies, including a month end procedure to ensure full oversight of the trust's financial affairs for the trust executive team, and regular and consistent monthly procedures.

Review of Effectiveness

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

- the agreed financial assurance programme
- the work of the external auditor
- the financial management and governance self-assessment process
- the work of the executive team within the trust who have responsibility for the development and maintenance of the internal control framework

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

Approved by order of the members of the board of trustees on 30th December 2016 and signed on its behalf by:

S Porter

Trustee

Christina Kenna

Accounting Officer



HEART
EDUCATION TRUST

Statement of Regularity, Propriety and Compliance

As accounting officer of The HEART Education Trust I have considered my responsibility to notify the trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the trust's funding agreement and the Academies Financial Handbook 2016.

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


.....

Christina Kenna

Accounting Officer

30th December 2016

THE HEART EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who act as governors of The Heart Education 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 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 of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/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 30th December 2016 and signed on its behalf by:



.....

C Kenna
Chief Executive Officer and Accounting Officer

THE HEART EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE HEART EDUCATION TRUST

We have audited the financial statements of The Heart Education Trust for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the academy 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 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 2015 to 2016 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

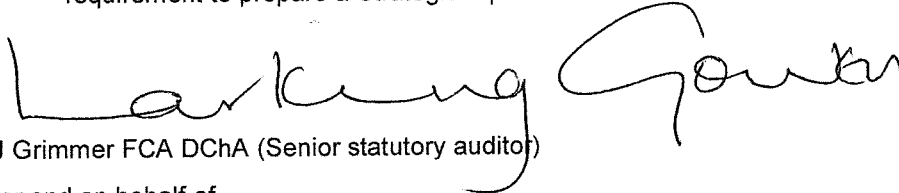
THE HEART EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
HEART EDUCATION TRUST**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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; or
- the Trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report.



J Grimmer FCA DChA (Senior statutory auditor)

for and on behalf of

Larking Gowen

Chartered Accountants
Statutory Auditors

King Street House
15 Upper King Street
Norwich

NR3 1RB

Date: 3 January 2017

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE HEART
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 7 October 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Heart Education Trust during the year 1 September 2015 to 31 August 2016 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 Heart Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Heart Education Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Heart Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF THE HEART EDUCATION TRUST'S ACCOUNTING OFFICER AND
THE REPORTING AUDITORS**

The accounting officer is responsible, under the requirements of The Heart Education Trust's funding agreement with the Secretary of State for Education dated 27 March 2013, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. 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 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

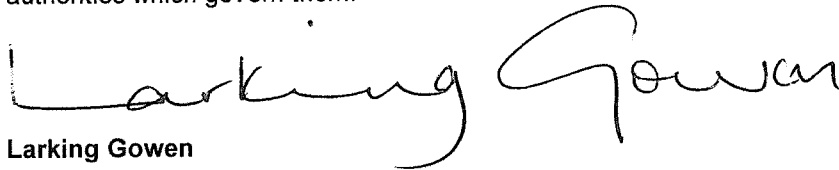
**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO THE HEART
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

The work undertaken to draw to our conclusion, includes, but is not limited to:

- Enquiry of senior management and trustees.
- Inspection and review of the accounting records, meeting minutes, prior year regularity report, internal control procedures, management representations and declarations of interest.
- Observation and re-performance of the financial controls.
- Review of the results of the Trust's process of independent checking of financial controls, systems, transactions and risks.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Larking Gowen

Chartered Accountants
Statutory Auditors

King Street House
15 Upper King Street
Norwich
NR3 1RB

Date: 3 January 2017

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

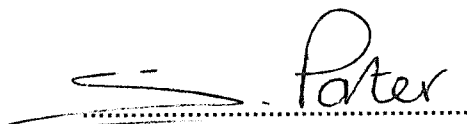
	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	<i>Total funds 2015 £</i>	
INCOME FROM:						
Donations & capital grants:						
Transfer from local authority on conversion	2	349,032	(560,000)	10,511,368	10,300,400	-
Other donations and capital grants	2	21,115	-	-	21,115	18,663
Charitable activities	3	56,408	4,008,463	-	4,064,871	2,402,917
Other trading activities	4	79,845	-	-	79,845	69,767
Investments	5	1,949	-	-	1,949	1,203
TOTAL INCOME		508,349	3,448,463	10,511,368	14,468,180	2,492,550
EXPENDITURE ON:						
Charitable activities		94,813	3,696,615	208,012	3,999,440	2,310,041
TOTAL EXPENDITURE	6	94,813	3,696,615	208,012	3,999,440	2,310,041
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		413,536	(248,152)	10,303,356	10,468,740	182,509
Transfers between Funds	17	20,000	(25,290)	5,290	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		433,536	(273,442)	10,308,646	10,468,740	182,509
Actuarial gains/(losses) on defined benefit pension schemes	22	-	(544,000)	-	(544,000)	4,000
NET MOVEMENT IN FUNDS		433,536	(817,442)	10,308,646	9,924,740	186,509
RECONCILIATION OF FUNDS:						
Total funds brought forward		822,444	158,058	826,769	1,807,271	1,620,762
TOTAL FUNDS CARRIED FORWARD		1,255,980	(659,384)	11,135,415	11,732,011	1,807,271

THE HEART EDUCATION TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08286818

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	14		11,022,472		826,769
CURRENT ASSETS					
Debtors	15	275,655		21,301	
Cash at bank and in hand		2,116,391		1,286,988	
		<u>2,392,046</u>		<u>1,308,289</u>	
CREDITORS: amounts falling due within one year	16	<u>(304,507)</u>		<u>(112,787)</u>	
NET CURRENT ASSETS			<u>2,087,539</u>		<u>1,195,502</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>13,110,011</u>		<u>2,022,271</u>
Defined benefit pension scheme liability	22		<u>(1,378,000)</u>		<u>(215,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>11,732,011</u>		<u>1,807,271</u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	17	718,616		373,058	
Restricted fixed asset funds	17	11,135,415		826,769	
Restricted income funds excluding pension liability		<u>11,854,031</u>		<u>1,199,827</u>	
Pension reserve		<u>(1,378,000)</u>		<u>(215,000)</u>	
Total restricted income funds			<u>10,476,031</u>		<u>984,827</u>
Unrestricted income funds	17		<u>1,255,980</u>		<u>822,444</u>
TOTAL FUNDS			<u>11,732,011</u>		<u>1,807,271</u>

The financial statements were approved by the Trustees, and authorised for issue, on 30th December 2016 and are signed on their behalf, by:


S Porter
Trustee

The notes on pages 39 to 62 form part of these financial statements.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by operating activities	19	<u>388,239</u>	<u>234,521</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(5,290)	(34,574)
Cash transferred on conversion		<u>446,454</u>	<u>-</u>
Net cash provided by/(used in) investing activities		<u>441,164</u>	<u>(34,574)</u>
Change in cash and cash equivalents in the year			
Cash and cash equivalents brought forward		<u>1,286,988</u>	<u>1,087,041</u>
Cash and cash equivalents carried forward	20	<u><u>2,116,391</u></u>	<u><u>1,286,988</u></u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

The Heart Education Trust constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of The Heart Education Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of The Heart Education Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015. No transitional adjustments have been required.

Reconciliations to previous UK GAAP for the comparative figures are included in note 26.

1.2 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 and include grants from the Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.3 Income

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of financial activities incorporating income and expenditure account 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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where there is certainty of receipt and it is measurable.

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

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.

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

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

Charitable activities and Governance costs are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

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

All resources expended are inclusive of irrecoverable VAT.

1.5 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 academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements..

1.6 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

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 incorporating income and expenditure account 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 incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Fixed assets received as new academies join the Trust under 125 year leases (Lingwood Primary Academy, Henderson Green Primary Academy and Valley Primary Academy) have been capitalised at valuations provided by Norfolk County Council.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold property	-	2% straight line
Fixtures and fittings	-	20% straight line
Equipment	-	25% straight line
Computer equipment	-	33% straight line

1.7 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

1.8 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.9 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.10 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.11 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.12 Financial instruments

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.13 Taxation

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

1.14 Pensions

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

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 22, 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 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 incorporating income and expenditure account 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

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.15 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 22, 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 August 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.

1.16 Private Finance Initiative (PFI) Schemes

PFI contracts are agreements to receive services, where responsibility for making available property, plant and equipment needed to provide the services passes to the PFI contractor. Heartsease Primary Academy occupies its premises under a PFI scheme. Under the terms of the scheme, the Trust is not considered to have the significant risks and benefits of ownership of the premises, and so they are not included within the balance sheet.

The annual payments to Norfolk County Council in relation to the PFI contract and services are recorded on an accruals basis within the Statement of Financial Activities.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	<i>Total funds 2015 £</i>
Transfer from local authority on conversion	349,032	(560,000)	10,511,368	10,300,400	-
Donations	21,115	-	-	21,115	-
Capital Grants	-	-	-	-	8,988
Grants	-	-	-	-	9,675
Subtotal	21,115	-	-	21,115	18,663
Total donations and capital grants	<u>370,147</u>	<u>(560,000)</u>	<u>10,511,368</u>	<u>10,321,515</u>	<u>18,663</u>

In 2015, of the total income from donations and capital grants, £ *NIL* was to unrestricted funds and £18,663 was to restricted funds

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	<i>Total funds 2015 £</i>
DfE/EFA grants				
General Annual Grant	-	3,057,175	3,057,175	1,841,403
Pupil premium	-	370,263	370,263	233,903
Other DfE/EFA	-	310,797	310,797	95,346
	-	3,738,235	3,738,235	2,170,652
Other government grants				
Local authority	-	229,999	229,999	155,771
SEN Funding	-	13,000	13,000	20,000
Other government grants	-	19,943	19,943	13,296
	-	262,942	262,942	189,067
Other income from the academy trust's educational operations				
Catering income	28,496	-	28,496	16,526
School trips	27,912	-	27,912	26,672
Teacher placements	-	7,286	7,286	-
	56,408	7,286	63,694	43,198
	56,408	4,008,463	4,064,871	2,402,917

In 2015, of the total income from charitable activities, £43,198 was to unrestricted funds and £2,359,719 was to restricted funds.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Lettings and hire income	34,264	-	34,264	17,074
Income from services provided	45,581	-	45,581	52,693
	<u>79,845</u>	<u>-</u>	<u>79,845</u>	<u>69,767</u>

In 2015, of the total income from other trading activities, £62,503 was to unrestricted funds and £7,264 was to restricted funds.

5. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Investment income	1,949	-	1,949	1,203

In 2015, of the total investment income, £1,203 was to unrestricted funds and £ NIL was to restricted funds.

6. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Direct costs	2,516,529	51,262	219,017	2,786,808	1,662,639
Support costs	259,974	583,934	368,724	1,212,632	647,402
	<u>2,776,503</u>	<u>635,196</u>	<u>587,741</u>	<u>3,999,440</u>	<u>2,310,041</u>

In 2016, of the total expenditure, £94,813 (2015 - £33,200) was to unrestricted funds and £3,955,866 (2015 - £2,276,841) was to restricted funds.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

7. SUPPORT COSTS

	Total 2016 £	<i>Total 2015 £</i>
Educational support	6,068	-
Administration	41,754	21,461
Premises maintenance	173,122	150,018
Cleaning	43,572	55,409
Water rates	24,609	14,509
Light & heat	48,927	33,682
Insurance	55,006	22,329
Transport & travel	38,043	3,847
Catering	154,406	116,301
Other educational supplies	47,118	18,269
Other professional fees	20,798	8,727
Governance Costs	56,770	25,474
PFI management fee & affordability gap	34,453	55,410
Wages and salaries	228,700	59,662
National insurance	8,811	3,093
Pension cost	22,463	8,676
Depreciation	208,012	50,535
	1,212,632	647,402

8. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £	<i>2015 £</i>
Depreciation of tangible fixed assets: depreciation charge	208,012	50,535
Auditors' remuneration - audit	8,500	4,720

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

9. STAFF COSTS

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	2,134,925	1,240,985
Social security costs	158,594	73,811
Operating costs of defined benefit pension schemes	365,288	182,273
	<u>2,658,807</u>	<u>1,497,069</u>
Supply teacher costs	95,296	-
Staff restructuring costs	22,400	-
	<u>2,776,503</u>	<u>1,497,069</u>

☑ Staff restructuring costs comprise:

	2016	2015
	£	£
Severance payments	547	-

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

	2016	2015
	No.	No.
Teachers	57	20
Support & Administration	61	23
Management	3	3
	<u>121</u>	<u>46</u>

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

	2016	2015
	No.	No.
In the band £60,001 - £70,000	0	1
In the band £70,001 - £80,000	1	0

The key management personnel are considered to be the two Trust executive officers and a further staff Board member. The total amount of remuneration (including employer pension contributions) for key management personnel for their services to the academy trust was £207,415 (2015: £138,948).

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

10. CENTRAL SERVICES

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

- School Improvement
- Finance Support
- Legal Support
- Governance
- Health and Safety
- Human Resources
- Occupational Health Support

The trust charges for these services on the following basis:

The trust charges for central services through a 6% charge on the General Annual Grant received by the individual schools.

The actual amounts charged during the year were as follows:

	2016	2015
	£	£
Heartsease Primary Academy	109,770	-
Henderson Green Primary Academy	21,195	-
Lingwood Primary Academy	32,832	-
Valley Primary Academy	13,633	-
	<hr/>	<hr/>
Total	177,430	<hr/> <hr/>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

11. 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 Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

	2016	<i>2015</i>
	£	£
C Kenna (Chief Executive Officer and Accounting Officer)	80,000-85,000	<i>70,000-75,000</i>
	10,000-15,000	<i>10,000-15,000</i>
S Porter (Staff Trustee)	45,000-50,000	<i>35,000-40,000</i>
	5,000-10,000	<i>0-5,000</i>

During the year, no Trustees received any reimbursement of expenses (2015 - one Trustee received £55).

12. TRUSTEES' AND OFFICERS' INSURANCE

The academy trust has opted into the Department for Education's Risk Protection Arrangement (RPA), an alternative to insurance where UK Government funds cover losses that arise. This scheme protects Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees and Officers indemnity element from the overall cost of the RPA scheme.

13. OTHER FINANCE INCOME

	2016	<i>2015</i>
	£	£
Interest income on pension scheme assets	29,000	<i>23,000</i>
Interest on pension scheme liabilities	(48,000)	<i>(23,000)</i>
	(19,000)	<i>-</i>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

14. TANGIBLE FIXED ASSETS

	Leasehold property £	Fixtures and fittings £	Equipment £	Computer equipment £	Total £
Cost					
At 1 September 2015	815,000	10,621	86,841	31,203	943,665
Additions	-	-	-	5,290	5,290
Assets on conversion	9,521,893	579,965	161,567	135,000	10,398,425
	<u>10,336,893</u>	<u>590,586</u>	<u>248,408</u>	<u>171,493</u>	<u>11,347,380</u>
Depreciation					
At 1 September 2015	48,900	5,045	44,738	18,213	116,896
Charge for the year	111,677	2,386	48,785	45,164	208,012
	<u>160,577</u>	<u>7,431</u>	<u>93,523</u>	<u>63,377</u>	<u>324,908</u>
Net book value					
At 31 August 2016	<u>10,176,316</u>	<u>583,155</u>	<u>154,885</u>	<u>108,116</u>	<u>11,022,472</u>
At 31 August 2015	<u>766,100</u>	<u>5,576</u>	<u>42,103</u>	<u>12,990</u>	<u>826,769</u>

15. DEBTORS

	2016 £	2015 £
Trade debtors	-	2,510
Other debtors	203	-
Prepayments and accrued income	252,537	-
Tax recoverable	22,915	18,791
	<u>275,655</u>	<u>21,301</u>

16. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	134,837	69,824
Other taxation and social security	56,915	23,457
Accruals and deferred income	112,755	19,506
	<u>304,507</u>	<u>112,787</u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

17. STATEMENT OF FUNDS

	Brought Forward £	Income £	Expenditur e £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds	822,444	508,349	(94,813)	20,000	-	1,255,980
Restricted funds						
General Annual Grant (GAG)	304,659	3,057,175	(2,640,240)	(123,290)	-	598,304
Other DfE/EFA grants	-	310,797	(190,485)	-	-	120,312
Pupil premium	-	370,263	(370,263)	-	-	-
Conversion Grants	68,399	-	(68,399)	-	-	-
PE and Sports Premium	-	16,943	(16,943)	-	-	-
SEN Cluster Funding	-	13,000	(13,000)	-	-	-
Other grants	-	240,285	(240,285)	-	-	-
Pension reserve	(215,000)	(560,000)	(157,000)	98,000	(544,000)	(1,378,000)
	<u>158,058</u>	<u>3,448,463</u>	<u>(3,696,615)</u>	<u>(25,290)</u>	<u>(544,000)</u>	<u>(659,384)</u>
Restricted fixed asset funds						
Fixed assets on conversion	826,769	10,398,425	(208,012)	5,290	-	11,022,472
Capital funds on conversion	-	112,943	-	-	-	112,943
	<u>826,769</u>	<u>10,511,368</u>	<u>(208,012)</u>	<u>5,290</u>	<u>-</u>	<u>11,135,415</u>
Total restricted funds	<u>984,827</u>	<u>13,959,831</u>	<u>(3,904,627)</u>	<u>(20,000)</u>	<u>(544,000)</u>	<u>10,476,031</u>
Total of funds	<u><u>1,807,271</u></u>	<u><u>14,468,180</u></u>	<u><u>(3,999,440)</u></u>	<u><u>-</u></u>	<u><u>(544,000)</u></u>	<u><u>11,732,011</u></u>

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

The General Annual Grant (GAG) represents core funding for the educational activities of the school that has been provided to the academy via the Education Funding Agency by the Department of Education. The GAG fund has been set up because the GAG must be used for the normal running costs of the academy.

The pension reserve has been created separately to identify the pension deficit inherited from the local authority upon conversion to academy status, and through which all the pension scheme movements are recognised.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

17. STATEMENT OF FUNDS (continued)

The other government grants fund has been created to recognise the restricted grant funding received from the local authority to be used for the purpose of specific projects and assisting with the educational operations.

The restricted fixed assets fund has been set up to recognise the tangible fixed assets gifted to the academy upon conversion by the local authority and also those purchased by the academy following conversion that have been funded from GAG and other capital grants. Depreciation charged on those tangible assets is allocated to the fund.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	<i>Total 2015 £</i>
Heartsease Primary Academy	418,448	1,195,502
Lingwood Primary Academy	116,976	-
Valley Primary School	97,108	-
Henderson Green Primary School	88,142	-
The Heart Education Trust	1,253,922	-
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	1,974,596	1,195,502
Restricted fixed asset fund	11,135,415	826,769
Pension reserve	(1,378,000)	(215,000)
	<hr/>	<hr/>
Total	11,732,011	1,807,271
	<hr/> <hr/>	<hr/> <hr/>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

17. STATEMENT OF FUNDS (continued)

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciat- ion £	Total 2016 £	Total 2015 £
The Heart Education Trust	128,187	-	17,257	150,192	295,636	2,259,506
Henderson Green Primary Academy	285,912	35,460	5,670	54,717	381,759	-
Heartsease Primary Academy	1,493,603	157,099	90,265	537,709	2,278,676	-
Lingwood Primary Academy	435,128	53,305	23,228	111,142	622,803	-
Valley Primary Academy	173,699	14,111	3,004	21,740	212,554	-
	<u>2,516,529</u>	<u>259,975</u>	<u>139,424</u>	<u>875,500</u>	<u>3,791,428</u>	<u>2,259,506</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	11,022,472	11,022,472	826,769
Current assets	1,255,980	1,023,123	112,943	2,392,046	1,308,289
Creditors due within one year	-	(304,507)	-	(304,507)	(112,787)
Provisions for liabilities and charges	-	(1,378,000)	-	(1,378,000)	(215,000)
	<u>1,255,980</u>	<u>(659,384)</u>	<u>11,135,415</u>	<u>11,732,011</u>	<u>1,807,271</u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £	2015 £
Net income for the year (as per Statement of financial activities)	10,468,740	182,509
Adjustment for:		
Depreciation charges	208,012	50,535
(Increase)/decrease in debtors	(254,354)	11,014
Increase/(decrease) in creditors	191,720	(31,537)
Defined benefit pension scheme obligation inherited	560,000	-
Defined benefit pension scheme cost less contributions payable	40,000	22,000
Defined benefit pension scheme finance cost	19,000	-
Fair Value of gifted tangible fixed assets	(10,398,425)	-
Cash Received on Conversion	(446,454)	-
	388,239	234,521
Net cash provided by operating activities	388,239	234,521

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	2,116,391	1,286,988
Total	2,116,391	1,286,988

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

21. CONVERSION TO AN ACADEMY TRUST

On 1 October 2015 Lingwood Primary Academy, on 1 April 2016 Henderson Green Primary Academy and on 1 June 2016 Valley Primary Academy converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Heart Education Trust from Norfolk County Council for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of financial activities incorporating income and expenditure account as Donations - transfer from local authority on conversion

The following tables set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of financial activities incorporating income and expenditure account.

Lingwood Primary Academy

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
- Freehold/leasehold land and buildings	-	-	5,055,630	5,055,630
- Other tangible fixed assets	-	-	196,889	196,889
Budget surplus on LA funds	101,679	-	-	101,679
Budget surplus on other school funds	-	-	38,419	38,419
LGPS pension surplus/(deficit)	-	(102,000)	-	(102,000)
Net assets/(liabilities)	<u>101,679</u>	<u>(102,000)</u>	<u>5,290,938</u>	<u>5,290,617</u>

The above net assets include £139,618 that were transferred as cash.

Leasehold land and buildings were transferred from Norfolk County Council on a 125 year lease.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

Henderson Green Primary Academy

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Freehold/leasehold land and buildings	-	-	1,434,660	1,434,660
Other tangible fixed assets	-	-	32,297	32,297
Budget surplus on LA funds	120,112	-	-	120,112
Budget surplus on other school funds	-	-	36,166	36,166
LGPS pension surplus/(deficit)	-	(296,000)	-	(296,000)
	<u>120,112</u>	<u>(296,000)</u>	<u>1,503,123</u>	<u>1,327,235</u>
Net assets/(liabilities)	<u>120,112</u>	<u>(296,000)</u>	<u>1,503,123</u>	<u>1,327,235</u>

The above net assets include £156,278 that were transferred as cash.

Leasehold land and buildings were transferred from Norfolk County Council on a 125 year lease.

Valley Primary Academy

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Freehold/leasehold land and buildings	-	-	3,611,558	3,611,558
Other tangible fixed assets	-	-	67,390	67,390
Budget surplus on LA funds	127,241	-	-	127,241
Budget surplus on other school funds	-	-	38,359	38,359
LGPS pension surplus/(deficit)	-	(162,000)	-	(162,000)
	<u>127,241</u>	<u>(162,000)</u>	<u>3,717,307</u>	<u>3,682,548</u>
Net assets/(liabilities)	<u>127,241</u>	<u>(162,000)</u>	<u>3,717,307</u>	<u>3,682,548</u>

The above net assets include £150,588 that were transferred as cash.

Leasehold land and buildings were transferred from Norfolk County Council on a 125 year lease.

22. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Norfolk County Council. Both are Multi-employer defined benefit pension schemes.

The LGPS obligation relates to the employees of the academy trust, either existing employees or 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 the scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 August 2016.

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

22. PENSION COMMITMENTS (continued)

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.

Valuation of the Teachers' Pension Scheme

Not less than every four years 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%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £161,075 (2015 - £111,520).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

22. PENSION COMMITMENTS (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £128,000 (2015 - £61,000), of which employer's contributions totalled £98,000 (2015 - £46,000) and employees' contributions totalled £30,000 (2015 - £15,000). The agreed contribution rates for future years are 17% for employers and tiered% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.10 %	3.80 %
Expected return on scheme assets at 31 August	2.20 %	3.80 %
Rate of increase in salaries	3.10 %	3.60 %
Rate of increase for pensions in payment / inflation	2.10 %	2.70 %

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

	2016	2015
Retiring today		
Males	22.1	22.1
Females	24.3	24.3
Retiring in 20 years		
Males	24.5	24.5
Females	26.9	26.9

The academy's share of the assets in the scheme was:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	752,400	275,000
Debt instruments	326,040	124,000
Property	150,480	62,000
Cash	25,080	14,000
Total market value of assets	<u>1,254,000</u>	<u>475,000</u>

The actual return on scheme assets was £130,000 (2015 - £(5,000)).

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

22. PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2016 £	2015 £
Current service cost (net of employee contributions)	(138,000)	(68,000)
Net interest cost	(19,000)	-
Total	<u>(157,000)</u>	<u>(68,000)</u>

Movements in the present value of the defined benefit obligation were as follows:

	2016 £	2015 £
Opening defined benefit obligation	690,000	593,000
Upon conversion	1,052,000	-
Current service cost	138,000	68,000
Interest cost	48,000	23,000
Contributions by employees	30,000	15,000
Actuarial losses/(gains)	674,000	(9,000)
Closing defined benefit obligation	<u>2,632,000</u>	<u>690,000</u>

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

	2016 £	2015 £
Opening fair value of scheme assets	475,000	396,000
Upon conversion	492,000	-
Interest income	29,000	23,000
Actuarial gains and (losses)	130,000	(5,000)
Contributions by employer	98,000	46,000
Contributions by employees	30,000	15,000
Closing fair value of scheme assets	<u>1,254,000</u>	<u>475,000</u>

THE HEART EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

23. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Amounts payable:		
Within 1 year	8,259	6,929
Between 1 and 5 years	14,221	13,202
Total	<u>22,480</u>	<u>20,131</u>

24. MEMBERS' LIABILITY

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/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.

25. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has 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.

H Cabbage is the Business and Operations Executive for the Trust, and is the daughter of C Kenna (Chief Executive officer and Accounting Officer). In the year ending 31 August 2016, for her role as Business and Operations Executive, H Cabbage received remuneration of £35,000 to £40,000 (2015: £5,000 to £10,000), pension contributions of £5,000 to £10,000 (2015: £Nil to £5,000) and a relocation allowance of £8,000 (2015: £Nil).

26. FIRST TIME ADOPTION OF FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.