



THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

TRUSTEE'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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Reference and Administrative Details

Members

- Rev Canon Peter Howard
- Michael Shaun Porter
- John Peter Crofts
- Michael Fagg
- Melanie Selvarajah (resigned 27 August 2018)

Trustees

- Mike Tait, Chair of Trustees (appointed 24 July 2018)
- Timothy Payne, Vice Chair of Trustees
- Christina Kenna, Chief Executive Officer
- Laura Myles
- Alan Jones
- Sarah Porter (resigned 25 November 2017)
- Martin Radmore (resigned 19 December 2017)
- Jill Bale, Parent Trustee (appointed 16 May 2018)
- James Bell, Parent Trustee (appointed 16 May 2018)
- Lisa Bambridge (appointed 11 June 2018)
- Stephen Beeson (resigned 21 July 2018)

Company Secretary

- Hazel Cabbage

Senior Management Team

- Christina Kenna (Chief Executive Officer)
- Hazel Cabbage (Chief Operating Officer)

(collectively, the "Trust Executive Board")

Company Name

- The HEART Education Trust

Principal and Registered Office

- Heartsease Primary Academy, Rider Haggard Road, Norwich, Norfolk NR7 9UE

Company Registration Number

- 08286818

Independent Auditor

- MA Partners LLP, 7 The Close Norwich, Norfolk NR1 4DJ

Bankers

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

Solicitors

- Browne Jacobson LLP, Mowbray House, Castle Meadow Road, Nottingham, NG2 1BJ

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Trustees' Report

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. 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. These are:

- Heartsease Primary Academy
- Lingwood Primary Academy
- Henderson Green Primary Academy
- Valley Primary Academy

The Trust academies have a combined pupil capacity of 1,068 and had a roll of 1,024 in the school census in October 2018.

Structure, Governance and Management

Constitution

The academy 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 academy trust. The trustees of The HEART Education 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.

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, bodies such as Academy Ambassadors, the community and the professional networks of the existing Trustees and / or members. The Trustees also utilise the Academy Ambassadors programme. 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, or the DfE.

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

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quorate Board meeting. The Trust's Executive Board will usually conduct an interview with the proposed trustee. The Board of Trustees then resolves to appoint a trustee based on this interview and verbal or written "pen portraits" outlined by the proposed trustee and / or the existing trustee who is recommending them. 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.

Upon the appointment of a new Trustee, the Board will then resolve to appoint the new trustee to one of the central Trust committees, having regard to that Trustee's particular skillset and own preference.

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, The Governors' Handbook, The Competency Framework, 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. New trustees will visit all Trust schools during the months following their appointment and meet with key personnel such as the Academy Headteachers and Trust Heads of Department.

All trustees must complete training provided by the Trust in respect of health and safety, safeguarding and GDPR. Decisions as to what additional internal and external training may be required by Trustees are made by the Board with advice from the Chief Executive Officer.

Organisational Structure

The Chief Executive Officer and the Chief Operating Officer are responsible for the day-to-day running of the Trust and comprise the Trust's senior management team (the "Executive Board"). The Chief Executive Officer is also the Accounting Officer of the Trust.

The Academy Headteachers are responsible for the day-to-day running of each academy, and are held accountable by the Trust's Executive Board. Throughout the accounting period, the Executive Board were in turn held to account by the Strategic Board of Trustees and the central committees. At the start of the accounting period, those central committees comprised of:

- Finance & Audit
- Education Performance & Standards
- Risk Management
- Safeguarding and Inclusion
- Pay

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Each committee was responsible for holding the Executive Board members to account as follows:

Governance of Trust Executive

Risk Committee	Performance & Standards Committee
Business & Operations Executive	Executive Headteacher
Finance & Audit Committee	Safeguarding & Inclusion Committee
Chief Finance Officer	Director of Inclusion / Executive Headteacher
Pay Committee	
Chief Executive Officer / Business & Operations Executive	

However, during the accounting period, the Trust adopted a new management structure. The Director of Inclusion was redeployed to Academy Headteacher at Heartsease Primary in order to strengthen and stabilise leadership there (March 2018); the Business and Operations Executive's title was reclassified as Chief Operating Officer in recognition of the work being undertaken (May 2018); the trustees resolved to appoint a Head of Quality Assurance (Performance & Standards) to add capacity to the Trust by supporting the CEO with the Executive Headteacher function of her role (appointed July 2018 for a September start); the trustees resolved to appoint a Financial Controller to add capacity to the Trust by supporting the COO with the Chief Finance Officer function of her role (appointed July 2018 for a September start). In addition, the Executive Board appointed a Trust ICT Manager and Head of Quality Assurance (Inclusion).

The Trust's management structure is now as follows:



Therefore, at its meeting of 1 November 2018, following the close of the accounting period, the trustees resolved to adopt a new governance structure with fewer committees, to better align with the new management structure depicted above.

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The governance structure now comprises of the following:



The Trustees and Executive Board now work together to hold the Academy Headteachers and Trust Heads of Department to account through the two main sub-committees, providing a higher quality and more robust governance with fewer instances of duplication in roles and responsibilities at Trust leadership level. The Trust also has a Pay Committee, which meets at least annually to hold the Executive Board to account in respect of pay decisions. The Pay Committee also carries out the annual performance review of the members of the Executive Board. The Pay Committee is comprised of the Chair and Vice Chair of Trustees.

The committees each have terms of reference setting out their key decisions and responsibilities. The Board of Trustees has approved a Scheme of Delegation and a Financial Scheme of Delegation under which certain powers have been delegated to the CEO, COO, Heads of Department and Academy Headteachers. However, throughout the year, certain 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.
- Appointment of new Trustees to the Board.
- Submission of Companies House and ESFA returns (including the Budget Forecast Return submitted to the ESFA in July 2018).
- Decisions relating to the Trust's financial reserves.
- Decisions relating to all amendments to Trust payscales.
- Setting the Trust's strategic objectives and identifying key performance indicators.
- Approval of the Trust's annual accounts.
- Decisions relating to alternative provision units at Trust academies.

Arrangements for setting pay and remuneration of key management personnel

The Trust's key management personnel are C Kenna (CEO) and H Cubbage (COO).

C Kenna is not remunerated for her role as a trustee. However, she is remunerated for her employment as Chief Executive Officer and her remuneration is based upon the Leadership payscale (STPCD). C Kenna was awarded a performance related pay award during the accounting period and the 1% cost of living increment in September 2017 that was awarded to all teaching staff within the Trust.

H Cubbage was awarded a performance related pay award during the accounting period and a 2% cost of living increment in April 2018 that was awarded to all support staff within the Trust. The Board also resolved to reclassify H Cubbage's role from Business & Operations Executive to Chief

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Operating Officer in recognition of the role being undertaken, and amended H Cabbage's pay range accordingly. This resolution occurred at a fully quorate meeting of the Strategic Board on 24 July 2018, following a recommendation by the Pay Committee. The Pay Committee carried out a benchmarking exercise for similar roles in similar Trusts in order to reach the decision of what payscale would be appropriate.

The performance related pay awards for C Kenna and H Cabbage were carried out by the Pay Committee in March 2018 and were awarded where C Kenna and H Cabbage had met or exceeded their targets. The pay awards were granted in line with the Trust's Performance Review Policy that is followed for all Trust employees.

The pay for each Academy Headteacher is initially set by the Executive Board, having regard to the Individual School Range of the academy. Performance related pay increases thereafter are made by the Executive Board and ratified by the Pay Committee in line with the Trust's Performance Review Policy.

Pay for central Trust Heads of Department is set by the Executive Board, having regard to pay advertised for similar roles in other Trusts and the payscales of other senior Trust employees. Performance related pay increases thereafter are made by the Executive Board and ratified by the Pay Committee in line with the Trust's Performance Review Policy.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
0	0

The Trusts buys into the Local Facilities time arrangements run through the Local Authority.

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 or have existed during the accounting period:

Name	Position in Trust	Type of Interest	Description of Interest	Date Interest Arose	Date Interest Ceased
Christina Kenna	Company Director	Direct Relationship with Trust	Trust Employee under a contract of employment	01/04/2013	
Sarah Porter	Company Director	Direct relationship with Trust	Trust Employee under a contract of employment	01/01/2014	25/11/2017
Christina Kenna	Company Director	Connected Party's relationship with Trust (individual)	C Kenna's daughter (H Cabbage) is the Chief Operating Officer of the Trust under a contract of employment.	06/07/2015	
Michael Shaun Porter	Company Member	Connected Party's relationship with Trust (individual)	Shaun Porter's spouse (Sarah Porter) was a Company Director and is an employee of the Trust under a contract of employment	16/09/2015	

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Sarah Porter	Company Director	Connected Party's relationship with Trust (individual)	S Porter's daughter was the Bishy Barney Bee Room Leader employed by the Trust under a contract of employment	01/09/2016	31/08/2018
Martin Radmore	Company Director	Direct relationship with Trust	Martin owns a business called Vision Education and carries out some consultancy work / training for the Trust in respect of P.E. from time to time	20/03/2017	19/12/2017
Imran Khan	Member of Risk Management Committee	Direct relationship with Trust	Trust Employee under a contract of employment	20/03/2017	15/04/2018
Lizbeth Kidd	Member of Education Performance & Standards Committee	Direct relationship with Trust	Trust Employee under a contract of employment	20/03/2017	02/01/2018
Stuart Walker	Member of Safeguarding & Inclusion Committee	Direct relationship with Trust	Trust Employee under a contract of employment	20/03/2017	01/11/2018
Samantha Bloomfield	Member of Finance & Audit Committee	Direct relationship with Trust	Trust Employee under a contract of employment	20/03/2017	28/09/2017
Verity Rudd	Member of Finance & Audit Committee	Direct relationship with Trust	Trust Employee under a contract of employment	28/09/2017	01/11/2018
Stephen Beeson	Company Director	Connected Party's relationship with Trust (company/firm)	Stephen works for Drapers' Multi Academy Trust as Chief Operations Officer based in Essex. However the Trust has no direct relationship with Drapers' Multi Academy Trust	12/06/2017	21/07/2018
James Bell	Company Director	Connected Party's relationship with Trust (individual)	James is a parent of a pupil at one of the Trust academies	16/05/2018	
Hazel Cubbage	Chief Operating Officer	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	6 July 2015	

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.

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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.

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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) *To achieve a "good" Ofsted grading for Lingwood Primary Academy*

The Trust had been sponsoring Lingwood for 2 years and anticipated an Ofsted inspection. The Trust's aim was for this inspection to achieve at least a "good" grading.

2) *To improve Key Stage 2 progress and attainment, Year 1 phonics, GLD and KS1 across all of the Trust academies over the next 2 years.*

The Trust anticipated that the 2018 KS2 results for Lingwood and Henderson would show an improvement on the previous year. The Trust was working to ideally improve the Heartsease and Valley results for 2018 but acknowledged that it may be 2019 before significant improvement is shown.

3) *To ensure that there is suitable capacity at leadership level to sustain progress and the future growth of the Trust*

The Trust was reviewing its senior management structure to ensure it is ready to take on additional academies in future years and to support its wider aim of achieving national floor targets.

4) *To continue the expansion of the Bishy Barney Bee brand*

This continued to be one of the Trust's aims for the accounting period, as the Trust intended to roll out its Bishy Barney Bee nursery brand to Lingwood and extend the Heartsease provision. Many pupils commencing their education at the Trust's academies are not "school ready", and the Trust intended 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.

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- 5) *To open an alternative provision unit at Henderson Green to for pupils with social, emotional and mental health needs.*

The Trust recognised that Norfolk is facing increasing pressure to accommodate excluded pupils. The Trust is committed to helping the Local Authority in its duty to provide educational for pupils who are at risk of exclusion and cannot be accommodated elsewhere. Therefore, the Trust planned to pilot an alternative provision unit at Henderson Green for Trust pupils and external pupils in respect of social, emotional and mental health needs. Pending the success of this unit, the Trust then planned to look to launch an ASD unit at Lingwood Primary in academic year 2018/19.

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

The Trust intended to adhere to the balanced budget it put forward to the ESFA in July 2017 (subject to in year revisions) to ensure that there was no in year deficit. The Trust acknowledged that there were certain exceptions to this aim, as it intended to use some of its existing reserves to fund rapid improvement across its academies. However, the Trust intended that general running costs will not exceed income.

- 8) *To improve the management of attendance across all four academies*

The Trust appointed a Senior Pastoral Manager in November 2017, and part of this role related to the coordination and management of attendance across the Trust. The Trust therefore expected to see an improvement in the way attendance was managed and an improvement in attendance data (with the caveat that the percentage figure for what constitutes a persistent absence had been lowered in Autumn 2017, which the Trust believed may impact on comparative data in the short term).

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.

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Strategic Report

Achievements and Performance

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

1) *To achieve a "good" Ofsted grading for Lingwood Primary Academy*

The Trust successfully received a "good" Ofsted grading in all areas in respect of Lingwood Primary Academy on 8 June 2018. Ofsted reported that the Academy Headteacher and her senior leaders share the Trust's ambition for pupils to achieve highly. They noted that leaders and trustees have high aspirations for the standard of education that pupils receive in the school. In relation to the Trust's support of the school, Ofsted noted the following:

The Trust shares expertise and staff across all four schools to support improvements in teaching, learning and assessment. School leaders and staff value this collaborative approach, particularly the shared professional development. The Trust has also commissioned a number of specialists who provide expertise to address areas for improvement identified in the school development plan. As a result, progress and attainment across the school are improving and there is evident capacity to effect further improvement.

Ofsted also commented favourably on Trust governance, stating that trustees understand the strengths of the school and the broad priorities for improvement. They explained that trustees use high-quality information, prepared by school leaders that allow trustees to provide both support and challenge to the leadership team. Ofsted recognised that trustees work alongside leaders when they visit the school, and this helps them judge the effectiveness of leaders' actions to improve the school further. They also noted that trustees work across all of the Trust schools, which allows them to evaluate where most support is needed and allocate resources from the Trust appropriately.

2) *To improve Key Stage 2 progress and attainment, Year 1 phonics, GLD and KS1 across all of the Trust academies over the next 2 years.*

In all Early Years cohorts across the Trust pupils achieved better in phonics than the previous year.

Three of the four schools were at or above the National Average. Valley was 5% below National which equates to one pupil. Disadvantaged pupils at Valley and Lingwood attained as well as their peers nationally, whilst disadvantaged pupils at Henderson and Heartsease scored almost twice as well as ALL pupils nationally (100/72).

Valley Primary	2016	2017	2018		National	2016	2017	2018
GLD	40	57	67	↑↑		69	71	72
FSM GLD		40	50	↑↑		54	56	57

Henderson Green	2016	2017	2018		National	2016	2017	2018
GDS	64	67		↓↑		69	71	72
FSM GDS	63	33		↓↑		54	56	57

Heartsease Primary	2016	2017	2018		National	2016	2017	2018
GDS	65	56	75	↓↑		69	71	72
FSM GDS	60	40		↓↑		54	56	57

Lingwood Primary	2016	2017	2018		National	2016	2017	2018
GDS	71	81	83	↑↑		69	71	72
FSM GDS	50	100	57	↑↓		54	56	57

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In Year 1 Phonics, all four schools attained higher than in previous years. Pupils at Heartsease and Lingwood were well above the National Average.

Henderson Green	2016	2017	2018	National	2016	2017	2018
Phonics	63	65	72	↑↑	81	81	82

Valley	2016	2017	2018	National	2016	2017	2018
Phonics	52	44	62	↓↑	81	81	82

Heartsease	2016	2017	2018	National	2016	2017	2018
Phonics	94	88	92	↓↑	81	81	82

Lingwood	2016	2017	2018	National	2016	2017	2018
Phonics	76	88	91	↑↑	81	81	82

In Reading, Writing and Maths combined pupils at all schools achieved better than the previous year. Henderson and Heartsease were at or above the national average. Lingwood pupils attained above the national average at greater depth whilst this needs to be further improved at the other three schools. Disadvantaged pupils at KS1 attained better than the previous year at all schools except Lingwood. At Henderson disadvantaged pupils outperformed similar pupils nationally, whilst at Heartsease disadvantaged pupils outperformed ALL pupils nationally 75%/65%.

Lingwood KS1	2018		National	2018
RWM	52%	↑		65%
RWM Greater Depth	19%	↑		12%

Henderson KS1	2018		National	2018
RWM	65%	↑		65%
RWM Greater Depth	4%	↑		12%

Heartsease KS1	2018		National	2018
RWM	79%	↑		65%
RWM Greater Depth	4%	↓		12%

Valley KS1	2018		National	2018
RWM	41%	↑		65%
RWM Greater Depth	0%	=		12%

FSM KS1 RWM	2018		National
Lingwood	10%	↓	50%
Heartsease	75%	↑	50%
Valley	21%	↑	50%
Henderson	60%	↑	50%

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At KS2 in reading, writing and maths pupils across all schools with the exception of Heartsease performed better than the previous year. Lingwood and Henderson were at or above the National Average. For greater depth Henderson were well above the national average, whilst the other three schools need to improve rapidly for this group. Disadvantaged pupils with the exception of Valley did better than previous years with disadvantaged pupils at Lingwood performing as well as similar pupils nationally. At Henderson Green Disadvantaged pupils outperformed ALL pupils nationally 73%/64%.

Lingwood KS2		2018		National	2018
RWM		69%	↑		64%
RWM	Greater		↑		10%
Depth					

Henderson KS2		2018		National	2018
RWM		73%	↑		64%
RWM	Greater	0%	=		10%
Depth					

Heartsease KS2		2018		National	2018
RWM		39%	↓		64%
RWM	Greater	2%	↑		10%
Depth					

Valley KS2		2018		National	2018
RWM		45%	↑		64%
RWM	Greater	0%	=		10%
Depth					

FSM KS2 RWM	2018		National
Lingwood	50%	↑	51%
Heartsease	44%	↑	51%
Valley	36%	↓	51%
Henderson	73%	↑	51%

To conclude, the majority of pupils outperformed their peers in the previous years. Some disadvantaged pupils outperformed ALL pupils nationally. There is an overall picture of improvement however there is improvement needed in future years to:

- Continue to close the gap between disadvantaged and non-disadvantaged
- Improve numbers of pupils achieving at greater depth (mastery)
- Ensure all pupils at all schools achieve at least as well as pupils nationally in GLD and Phonics
- Ensure pupils at both KS1 and KS2 in Reading, Writing and Maths attain at least as well as those pupils nationally

3) *To ensure that there is suitable capacity at leadership level to sustain progress and the future growth of the Trust*

The Trust has successfully increased capacity at leadership level. In July 2018, the Trust recruited 3 additional departmental heads to commence their roles in September 2018: Head of Quality Assurance, Financial Controller and ICT Manager. The Trust stabilised the turbulent leadership at Heartsease Primary Academy by redeploying its Director of Inclusion to this role (March 2018). The Trust also carried out a management restructure, removing the Assistant Head role from across the Trust and promoting staff to Deputy Headteachers to increase operational leadership capacity in each school. This saw the promotion of the Valley Assistant Head to Deputy at Henderson Green and the promotion of the Henderson Green Assistant Head to Senior Deputy at Heartsease. A strong external candidate was recruited to the deputy head vacancy at Lingwood and a senior teacher at Valley was promoted to Deputy there. The Trust now has an excellent leadership capacity that forms the basis of its growth strategy.

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4) *To continue the expansion of the Bishy Barney Bee brand*

This remains a priority for the Trust during the next accounting period, and much work was done towards this objective throughout the accounting period. The Trust worked hard to negotiate building expansion works with the Local Authority throughout the year, and these commenced in Autumn 2018. Unfortunately, building works were halted when the LA could not agree the contractual obligations with the PFI provider, and during the ongoing negotiations with the construction team on standby, the LA felt it had no choice but to terminate the project which had been cost prohibited when other nursery provisions could be funded in the area in a more cost effective way. These negotiations continued throughout the entire accounting period and the Trust is still agreeing the "making good" works with the LA following the terminated construction works.

However, following the "good" Ofsted grading at Lingwood, the Trust is now prioritising the expansion of the Lingwood nursery under the Bishy brand, in order to extend this to a 2 year old provision.

5) *To open an alternative provision unit at Henderson Green to for pupils with social, emotional and mental health needs.*

Having failed to secure Local Authority support for an alternative provision available to schools across the county, the Trust decided to open an internal alternative provision unit to its own pupils. However, after further investigation into the number of SEMH pupils across the schools, and the limitations of building capacity, the Trust resolved to terminate this plan. The Board took this decision in February 2018, deciding to prioritise early years over inclusion pending the outcome of Local Authority changes to the way SEND is managed in Norfolk.

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

The Trust successfully managed to carry forward a surplus at 31 August 2018. The fact that the Trust still achieved its Ofsted "good" grading at Lingwood and improved KS2 results on the previous year shows that this surplus was not at the expense of its school improvement strategy. The Trust continues to manage its finances efficiently and effectively.

7) *To improve the management of attendance across all four academies*

A Trust attendance officer was appointed to work across all four academies. Attendance at all four academies has improved and is now in line with the national average at 96%. Persistent absence is also improving with consistent support for families and Fast Track where applicable. Holidays in term time are not authorised, however in the communities we serve families often have no option but to take annual holidays in term time due to affordability and work commitments. Over 60 fines were issued.

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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 Results (Combined)	Year 1 Phonics	EYFS GLD
Heartsease Primary	39%	92%	75%
Valley Primary	45%	62%	67%
Henderson Green Primary	75%	72%	81%
Lingwood Primary	69%	91%	83%

See commentary under previous section

2. Pupil attendance data across its academies

School	Absence%	Persistent Absence %
Heartsease	4.0%	7.9%
Lingwood	3.6%	5.6%
Henderson	5.5%	12.1%
Valley	4.9%	15.2%

In primary schools the overall national absence rate increased from 4.0% in autumn/spring 2016/17 to 4.2% in autumn/spring 2017/18. The increase in overall absence rate has been driven by an increase in both the authorised and unauthorised absence rate. The rate of persistent absence in primary schools was 9.6% of enrolments. The rate of persistent absence has increased since last year, when the rate was 8.7% in primary schools.

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The Trust's absence rates are therefore broadly in line with national at all four schools. Persistent Absence Rates are higher than national at Henderson Green and Valley. However the figure for 2017/18 is significantly lower at Henderson (15/16 25.0% and 16/17 21.5%) and the 2018 figure is largely due to a child with complex needs who was on a part time timetable. One family were Fast Tracked which resulted in much improved attendance. At Valley there have been 2 Fast Track meetings both of which resulted in improved attendance and did not need to proceed to court.

3. Number of permanent exclusions across academies

School	No. Permanent Exclusions
Heartsease Primary	0.2%
Lingwood Primary	0.00%
Henderson Green Primary	1.95%
Valley Primary	0.00%

In 2016-17, the rate of permanent exclusions rose nationally in primary schools, to 0.03%.

The Trust is committed to preventing exclusion and only uses this as a last measure in response to violence towards pupils or staff. The Behaviour Policy which is applied across the Trust has many steps built in so that behaviour can be de-escalated before it gets to the stage of fixed/permanent exclusions. The CEO sits on The Norwich Opportunity Area working party for Prevention of Exclusion.

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 for the year ended 31 August 2018 was £418,267 (as compared to £609,215 in the year ended 31 August 2017).

2. Total pay as a percentage of GAG

The total pay as a percentage of GAG for the year to 31 August 2018 was 93.67% (2017 91.93%) which showed an increase on the previous year. This reflects unfunded increase in salaries and pension contributions which has become an issue across the sector. The decision for the current year has been to absorb these costs to maintain the trajectory of school improvement, and review regularly in future periods. It should be noted that certain posts are funded directly by sources of income other than GAG and are dependent upon that funding continuing.

3. Total pay as a percentage of total income

Total pay as a percentage of total income was 63.87% for the year to 31 August 2018 as compared to 69.70% to 31 August 2017. This shows that we are managing staff costs within the funding sources available.

Teacher Performance

1. Formal lesson observations

All teachers at the Trust undergo performance management and formal lesson observations are carried out as part of this process. Teachers are observed a minimum of three times each academic year. Where teaching has been found to be less than "good", support plans have been put in place to address weaknesses in teaching or teacher expectation. Teachers have received training and their continued professional development has been supported throughout the year. There is a robust

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monitoring and moderation system in place to ensure that progress over time triangulates with the evidence gained from lesson observations.

2. Pupil outcomes as a measure of teaching standards

The Trustees believe that current pupil outcomes confirm that there has not been consistently good teaching as a minimum across the Trust over the current year and that further development in teaching and learning is required at each of its academies in the next accounting period to ensure that more pupils achieve at greater depth (mastery). The Trust is addressing further improvements in teaching and learning by ensuring that senior leaders routinely and regularly carry out learning walks and daily drop-ins to monitor teaching and learning. The Head of Quality Assurance carries out paired observations with Academy Headteachers to ensure consistency in standards across the Trust. Books and work are scrutinised regularly and standards are moderated across the Trust. Teacher Assessments are becoming more aligned as a result. Where two consecutive lessons are seen and learning is not judged to be good in either the lessons or with evidence of learning over time in books, teachers are put on a support plan and further training given.

Termly summative data is collected and analysed and interventions are put in place based on need. (Pira/Puma/Gaps and Progression Tests). All schools were subject to an external Baseline assessment carried out by Challenging Learning (R. Kielty) and a Trust Wide Rapid Improvement Plan is in place.

Early Excellence Testing, BPVS, Welcom and teacher assessment shows that across all of our schools speech and communication and vocabulary acquisition is low on entry. To combat this the Trust has engaged Communicating Matters to carry out Trust Wide Training for Early Years and KS1 staff including Early Talk Boost, Talk Boost, Eklan training.

Key Stage 2 pupils have once again received interventions in maths and reading including Third Space, Numicom, Rapid Reader and Arrow. To ensure good progress in Phonics and reading, Valley and Henderson are now using Read Write Inc and there is already evidence that progress in phonics is accelerating. Heartsease are considering this for next year.

3. Incidents of career progression

The current year has demonstrated a number of incidents of career progression. In April 2017, the Trust supported one of its Teaching Assistants to commence a teacher training programme, and that employee successfully achieved QTS in December 2018. Two Assistant Headteachers were promoted to Deputy as was a senior teacher. A number of teachers and senior leaders also received performance related pay awards. The Trustees believe that the number of incidents of career progression over the course of the current year confirms high standards of teaching performance amongst its middle and senior leaders in particular.

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.

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Financial Review

From 1 September 2017 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 £4,319,921 as shown in the Statement of Financial Activities. The Trust also receives funding from the Local Authority and additional ESFA funding. The Trust generated a further £49,644 (2017 £40,296) during the period in respect of lettings and £112,384 (2017 £86,321) for services it provided (this figure includes £42,200 of staff absence insurance income). The total income for the year to 31 August 2018 was £6,334,233 and the total expenditure was £5,889,278, which was covered by incoming resources and resulted in a total surplus of £444,955 before actuarial movements.

At 31 August 2018 the net book value of fixed assets was £10,606,187 and movements in tangible fixed assets are shown in note 15 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 2018 and note 23 to the financial statements. The Trust saw a gain in the LGPS in the year to 31 August 2018 of £391,000.

At 31 August 2018 the balance sheet shows a cash at bank figure of £3,422,322 (2017 £2,728,234), showing that the Trust is in a strong financial position.

Reserves Policy

The balance sheet as at 31 August 2018 shows that the Trust has total funds of £12,994,010 of which £1,848,021 is unrestricted funds. 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. On the basis of the staff costs for the period to 31 August 2018, the Trust has carried forward £468,800 as its contingency fund for the period to 31 August 2019 and this amount will be placed into a longer term investment.

The Trustees had also already resolved to apply certain reserves for specific purposes (the "Allocated Reserves"), and these are set out below.

- £150,000 – Building Maintenance Contingency Fund
- £29,000 – Bishy Barney Bees growth and improvement
- £1,447 – Sponsor Capacity Grant being used to increase the operational and leadership capacity of the MAT so that it can better support its academies.
- £45,809 – Academy Improvement Fund for school improvement. The Trust has committed this towards funding its central school improvement team (which includes its Head of Quality Assurance and Trust English Lead) for the period 2018/19.
- £24,745 – Balance of the Regional Growth Fund received in 2016/17 and allocated to specific improvement projects across the Trust, including the implementation of Power Maths and the funding of the additional 0.4 FTE Trust maths advisor.
- £24,328 of PE Premium towards a much needed equipment refresh and enrichment opportunities taking place in 2018/19.
- £250,000 for the Trust wide ICT refresh programme that commenced in 2017/18 (which includes £37,145 of carried forward Devolved Formula Capital from 2016/17 and 2017/18). Through this programme, the existing infrastructure is being significantly improved, including replacement of the Heartsease server, moving the Trust to the Cloud and better quality staff and pupil devices to make best use of the significant sums the Trust has invested in software resources and interventions. This includes 30 brand new pupil laptops for the pupils of Henderson Green, and 8 at Valley Primary, purchased in September 2017. In Autumn 2018, the Trust has already begun to apply these reserves, carrying out a Trust

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wide procurement for 37 interactive screens for its classrooms and replacing the laptops of every member of teaching staff.

- £105,000 is being spent on replacing up to 25% of the windows at Valley Primary Academy to improve the learning environment for pupils. This work commenced in Autumn 2018.
- £10,000 represents the Trust's contribution towards the costs of additional window replacements required at Valley Primary Academy, as part of the CIF bid it is making in December 2018
- £40,000 represents the Trust's contribution towards the costs of boiler replacements required at Henderson Green Primary Academy, as part of the CIF bid it is making in December 2018

The trustees intend to place the £150,000 Building Maintenance Fund into a medium term investment where it will be available on notice if required for repair works. The rest of the Allocated Reserves held are expected to be largely spent over the course of the coming year, and these will be held in shorter term investments (i.e. the Trust's 32 day notice account) and some liquid funds (within the Trust's current account).

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);
- 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 ESFA's prior approval for any investment transactions which are novel and/or contentious, or otherwise require such approval in line with the requirements of the Academies Financial Handbook.

The Trustees' intentions with regards to the investment of its current reserves are set out in the section above.

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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 structure of the Risk Register and Trust Risk Policy was revised in October 2017 and again in October 2018. The Risk Register and Risk Policy identify the following key categories of risk: Strategic & Reputational, Operational, Financial, Regulatory, Educational & External.

The following principal risks and uncertainties have been identified by the Trustees and the following actions have been (or are being) taken to mitigate these:

- Strategic & Reputational: the Trust academies have individual business continuity plans in place, but there is no codified Trust plan, which means there is risk to the Trust's reputation if an incident occurred and is not handled in a joined up way. Therefore, the Trust engaged a consultant to prepare a centralised Business Continuity Plan which will be completed by the end of 2018.
- Strategic & Reputational: the Trust Board currently has skills gaps, which risks weak governance in areas where skills are lacking (premises and education standards in particular). The trustees carried out a Skills Audit in July 2018 which is now being updated, and the trustees will use this to inform the training programme and recruitment of trustees in 2018/19.
- Operational: the Trust identified an executive risk in the over-reliance on a single person. Heavy reliance was being placed on CEO / Executive Headteacher as a dual role was being carried out, meaning the Trust had a single point of failure. The Trust has fully eliminated this risk by the reclassification of the COO role and the appointment of the Heads of Quality Assurance and Financial Controller.
- Financial: The trustees have identified a risk in terms of the TPS increases to the employer contribution rates from 16.48% to 23.6 % in September 2019. This risk has been reduced by ESFA announcing additional funding to cover the increase in employer contributions, although the trustees are keeping this under review as it anticipates that funding will reduce in future years.
- Educational: The trustees recognise that there is a risk if a Trust academy receives an Ofsted grading that is not at least "good". This is a particular risk at Heartsease Primary, which could ultimately lead to closure of the Trust because it would not currently be financially sustainable if Heartsease were rebrokered to another Trust due to underperformance. The trustees regularly prepare for Ofsted inspections; the Head of Quality Assurance and Executive Board are working to prepare the Trust schools for inspection. LPA already received a "good" in June 2018. The trustees are also applying reserves to achieve school improvement across the Trust.
- Strategic & Reputational: The Trust does not currently have an updated written business plan in place. The Trustees have instructed the CEO to prepare this. Various strategies and documents related to the business plan are now in place (e.g. SWOT analyses, SEFs, SDIPs, Trustee reports etc). The Executive Board is currently synthesising these into a single Business Plan and the Chair of Trustees is supporting the CEO with this.
- Regulatory: The trustees have identified a risk around knowledge of health and safety legislative knowledge within the Trust's central premises team. The trustees are supportive of the COO undertaking NEBOSH training early 2019 to better hold the team to account. The COO and Trust Operations Manager have already completed IOSH Managing Safely training (January 2018) and the Head of Premises completed IOSH Working Safely (October 2018). The Trust has an external competent advisor appointed at all times who provides independent assurance to trustees in respect of statutory compliance.
- Operational: the trustees have identified a risk in respect of academy senior management personnel lacking capability / experience. This has been addressed by (i) the reorganisation of deputy headteachers in September 2018. (ii) Additional leadership support appointed to Heartsease from December 2018. (iii) Head of Quality Assurance providing mentoring and developing CPD programme with CEO. (iv) 2 Academy Headteachers are studying NPQEL and

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the others have been asked to complete either NPQH or NPQEL. (v) Head of Quality Assurance working with Academy Headteachers to produce high quality SIDPs and SEFs.

- Regulatory: trustees have identified a risk around knowledge of and compliance with the legislative requirements of GDPR. This has been mitigated by the appointment of an external Data Protection Officer and a high level of training provided to all relevant stakeholders, as well as general awareness training for all staff and trustees.
- Financial: the trustees have identified a risk of funds being too high as it is carrying high level of reserves. This could lead to criticism from EFSA / DfE and Ofsted. Trustees have mitigated this risk by developing a clear strategy for the use of reserves and spending reserves in accordance with that strategy, which remaining financially prudent so that day-to-day running costs need not be supported by reserves.

Fundraising

Throughout the accounting period, the Trust has periodically facilitated fundraising events for other charitable bodies, including NSPCC, Break and Children in Need. Fundraising on behalf of the schools themselves are carried out by Friends associations and not by the Trust itself.

Plans for Future Periods

The Strategic Board of Trustees has agreed the following strategic priorities for the year 2018-19:

- 1) To develop an outstanding early years provision across the Trust
- 2) To develop and implement a Trust wide curriculum strategy and centralised CPD programme in order to advance teaching and learning across the Trust
- 3) To achieve an overall "good" Ofsted grading for Henderson Green Primary Academy and Valley Primary Academy
- 4) To continue to improve Key Stage 2 progress and attainment, Year 1 phonics, GLD and KS1 across all of the Trust academies over the next year
- 5) To reduce the gap between disadvantaged and non-disadvantaged pupils
- 6) To improve parental engagement across the Trust
- 7) To close the financial year with a total revenue expenditure figure that is lower than or equal to the total revenue income figure

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.

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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.

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 19 December 2017 and signed on the board's behalf by:



M Tait
Chair of Strategic Board of Trustees
17 December 2018

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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 Officer as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between 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 6 times during the year, as well as holding two informal away days. Attendance during the year at meetings of the board of trustees was as follows:

Name	Meetings Attended	Out of a Possible
Mike Tait, Chair of Trustees (appointed 24 July 2018)	1	1
Christina Kenna, Chief Executive Officer	6	6
Martin Radmore (resigned 19 December 2017)	2	2
Sarah Porter (resigned 25 November 2017)	1	1
Laura Myles	5	6
Timothy Payne	6	6
Stephen Beeson (resigned 21 July 2018)	4	5
Alan Jones	3	6
Jill Bale	2	3
James Bell	2	3
Lisa Bambridge	0	1

Over the course of the accounting period, the key changes to the composition of the Board are as follows:

- 1) M Radmore was appointed Chair of Trustees in June 2017, but after he stepped down to pursue his new business venture, S Beeson was appointed to the post on 7 February 2018. Following S Beeson's resignation, the Board recruited and elected M Tait as its Chair on 24 July 2018 for a term ending 31 August 2019.
- 2) S Porter was asked to step down by the Board following a recommendation from ESFA that the Trust should not have staff trustees on its Board (save as to the CEO).

The Board has covered the following areas over the current year:

- Approval of the Trust's financial statements to 31 August 2017
- Received updates from the Trust's Executive Board and the Trust's central committees (including financial, pupil attendance, pupil standards and progress, staffing restructure).
- Decisions relating to the Trust's growth and expansion
- Adoption of various Trust policies
- Discussed and responded to ESFA correspondence
- Reviewed and reclassified the role of the Chief Operating Officer

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The Board has regularly assessed its collective skillset, ensuring that new trustees have been recruited on the basis of the skills required by the board as a whole. The biggest challenge that the Board has faced has once again been the recruitment of high calibre trustees and committee members, and although the Board has succeeded in filling its vacancies, it has not always been able to do these as immediately as it may have wished. The Board is fully engaged with the Academy Ambassadors programme to help alleviate this challenge.

The Board is satisfied with the quality of data it has received from the Trust Executive over the current year as it has been sufficient to enable the Board to make decisions and carry out the management of the Trust.

Prior to 1 November 2018, the Trust operated under its old governance structure and had 5 central committees. Attendance at these meetings was as follows:

Finance & Audit Committee

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

Attendance at meetings in the year was as follows:

Name	Meetings Attended	Out of a Possible
L Myles	3	4
N Reynolds	3	4
S Beeson	4	4
V Rudd	3	4
J Bale	2	2

Risk Management Committee

The Risk Management Committee was also a sub-committee of the main board of trustees. Its purpose was to act in an advisory capacity to the Board of trustees and to challenge and hold the Chief Operating Officer to account in respect of risk management. The committee regularly reviewed and amended the Risk Register, ensured compliance of the Trust's head office and the academies with the Trust's Framework policies (including this Risk Policy), provided timely reports to the Board of trustees on the activities and decisions of the Risk Committee, and ensured that the academies were complying with the RPA membership rules.

Attendance at meetings in the year was as follows:

Member Name	Meetings Attended	Out of a Possible
T Payne	2	3
M Radmore	2	2
L Watton	0	1
I Khan	2	3
D Hanwell	3	3

Education Performance & Standards Committee

The Education Performance & Standards Committee was a sub-committee of the main board of trustees. Its purpose was to act in an advisory capacity to the Board of trustees and to challenge and hold the CEO/Executive Headteacher to account. The Education Performance & Standards Committee was established to focus specifically on the progress the Trust and its academies are making on each of their priorities and those identified by Ofsted. The overall responsibility of the

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Education Performance & Standards Committee was to take a strategic role in ensuring that the Trust provides high quality teaching and learning which leads to the highest possible levels of attainment and progress for all pupils.

Attendance at meetings in the year was as follows:

Member Name	Meetings Attended	Out of a Possible
L Myles	3	5
L Kidd	3	5
L Watton	2	3
L Kidd	3	3

Safeguarding & Inclusion Committee

The Safeguarding and Inclusion Committee was also a sub-committee of the main board of trustees. Its purpose was to act in an advisory capacity to the Board of trustees and to challenge and hold the Director of Inclusion (whilst in post) and the CEO/Executive Headteacher to account. The responsibilities of the committee included: monitoring the Trust and each academy in respect of inclusion and safeguarding, ensuring the Trust complies with statutory and non-statutory obligations in respect of inclusion and safeguarding, and contributing to the development of Trust policies insofar as they relate to the committee's remit (e.g. SEN, Safeguarding, etc).

Attendance at meetings in the year was as follows:

Member Name	Meetings Attended	Out of a Possible
L Myles	2	2
A Chevrakova	2	5
J Bale	2	3
S Walker	3	5
M Radmore	2	2

Review of Value for Money

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

The accounting officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where appropriate. The accounting officer for the academy 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 catering, EYFS outdoor areas at two schools, minibuses, staff absence insurance, pupil laptops and ICT Support.
- Continuing to ensure that Trust approval for Academy purchases above a certain threshold will only be authorised where three quotes have been obtained and a value for money form completed.

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The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The HEART Education Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the trustees have engaged Educator Solutions to carry out termly financial assurance reviews and to report on their findings to the board. The external reviewer's role includes giving advice on financial matters and performing a range of checks on the academy 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

On a termly basis, the reviewer provides a written report to the board of trustees, through the Finance & Audit Committee, on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. In the current accounting period, the external reviewer reported to the board in December 2017, March 2018 and June 2018.

No material control issues were identified. The external reviewer identified some minor issues, such as an update required to the Business & Pecuniary Interests Register, creation of an asset register and system of disposal of assets and advised reviewing benchmarking data on an annual basis. The Trust has now resolved these issues.

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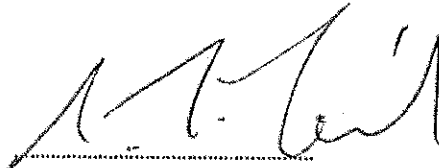
Review of Effectiveness

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

- the work of the external reviewer
- the work of the external auditor
- the work of the Trust's Chief Finance Officer who has responsibility for the development and maintenance of the internal control framework

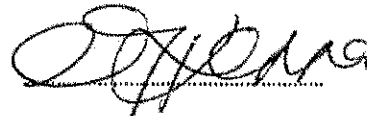
The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance & Audit Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 17 December 2018 and signed on its behalf by:



M Tait

Chair of Trustees



C Kenna

Accounting Officer

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The HEART Education Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

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



C Kenna
Accounting Officer

Date: 17 December 2018

THE HEART EDUCATION TRUST
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STATEMENT OF TRUSTEE'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustee (who are also the directors of the charitable company for the purposes of company law) is responsible for preparing the Trustee's Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustee to prepare financial statements for each financial year. Under company law the Trustee must not approve the financial statements unless he is 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 Trustee is 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 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustee is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 Trustee is 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. He is also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustee is 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 and signed on its behalf by:



M Tait
Chair of Trustees

Date: 17 December 2018

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Opinion

We have audited the financial statements of The HEART Education Trust (the 'academy') for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

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

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustee's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustee's Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Responsibilities of trustees

As explained more fully in the Statement of Trustee's 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the academy or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy'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 academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Frank Shippam BSc FCA DChA (Senior Statutory Auditor)

for and on behalf of

MA Partners LLP

7 The Close
Norwich
Norfolk
NR1 4DJ
18 December 2018

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 29 September 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The HEART Education Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The HEART Education Trust and the ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The HEART Education Trust and the ESFA, 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 accountant

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 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Our procedures included, but were not limited to, the following:

- Reviewing the processes for identifying and declaring business interests, related parties and transactions with connected parties;
- Reviewing minutes of meetings and making enquiries of Trustees and management;
- Performing an evaluation of the general control environment;
- Sample testing of expenditure to ensure the Trust's lines of delegation and procurement policies have been adhered to, that employees have not personally benefited from any transaction and that goods and services have been procured in an open and transparent manner;
- Sample testing of restricted income to ensure it has been spent as the purposes intended;
- Reviewing transactions which may not fall within the delegated authority of the Trust and ensuring any such transactions have been authorised and disclosed as necessary;
- Reviewing compliance with *Annex C: Schedule of requirements (the "musts")* of the Academies Financial Handbook 2017.

Where applicable, this work was integrated with our audit on the financial statements to the extent evidence from the conduct of the audit supports the regularity conclusion.

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 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MA Partners LLP

MA Partners LLP

7 The Close
Norwich
Norfolk
NR1 4DJ

18 December 2018

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Note					
Income from:					
Donations and capital grants	2	960	-	616,789	617,749
Charitable activities	3	99,493	5,449,583	-	5,549,076
Other trading activities	4	162,028	-	-	162,028
Investments	5	5,380	-	-	5,380
Total income		267,861	5,449,583	616,789	6,334,233
Expenditure on:					
Charitable activities		-	5,599,940	289,338	5,889,278
Total expenditure	6	-	5,599,940	289,338	5,889,278
Net income / (expenditure) before transfers					
Transfers between Funds	19	267,861	(150,357)	327,451	444,955
		-	(130,365)	130,365	-
Net income / (expenditure) before other recognised gains and losses					
		267,861	(280,722)	457,816	444,955
Actuarial gains on defined benefit pension schemes	23	-	391,000	-	391,000
Net movement in funds		267,861	110,278	457,816	835,955
Reconciliation of funds:					
Total funds brought forward		1,580,160	(164,691)	10,742,586	12,158,055
Total funds carried forward		1,848,021	(54,413)	11,200,402	12,994,010

The notes on pages 38 to 62 form part of these financial statements.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 08286818

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	15		10,606,187		10,742,586
Current assets					
Stocks	16	13,498		15,011	
Debtors	17	398,199		285,139	
Cash at bank and in hand		3,422,322		2,728,234	
		<u>3,834,019</u>		<u>3,028,384</u>	
Creditors: amounts falling due within one year	18	<u>(431,196)</u>		<u>(424,915)</u>	
Net current assets			<u>3,402,823</u>		<u>2,603,469</u>
Total assets less current liabilities			<u>14,009,010</u>		<u>13,346,055</u>
Defined benefit pension scheme liability	23	<u>(1,015,000)</u>		<u>(1,188,000)</u>	
Net assets including pension scheme liabilities			<u><u>12,994,010</u></u>		<u><u>12,158,055</u></u>
Funds of the academy					
Restricted income funds:					
Restricted income funds	19	960,587		1,023,309	
Restricted fixed asset funds	19	11,200,402		10,742,586	
Restricted income funds excluding pension liability		12,160,989		11,765,895	
Pension reserve		<u>(1,015,000)</u>		<u>(1,188,000)</u>	
Total restricted income funds			<u>11,145,989</u>		<u>10,577,895</u>
Unrestricted income funds	19		<u>1,848,021</u>		<u>1,580,160</u>
Total funds			<u><u>12,994,010</u></u>		<u><u>12,158,055</u></u>

The financial statements on pages 35 to 62 were approved by the Trustee, and authorised for issue, on 17 December 2018 and are signed on their behalf, by:



M Tait
Chair of Trustees

The notes on pages 38 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 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by operating activities	21	418,267	609,215
Cash flows from investing activities:			
Dividends, interest and rents from investments		5,380	2,628
Purchase of tangible fixed assets		(152,939)	-
Capital grants from DfE Group		423,380	-
Net cash provided by investing activities		275,821	2,628
Change in cash and cash equivalents in the year			
Cash and cash equivalents brought forward		2,728,234	2,116,391
Cash and cash equivalents carried forward	22	3,422,322	2,728,234

The notes on pages 38 to 62 form part of these financial statements.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

1.2 Company status

The academy is a private company limited by guarantee and incorporated in England and Wales. The registered office address and details of the members and Trustee of the company are given on page 28. In the event of the academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the academy.

1.3 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 Trust 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.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.4 Income

All income is recognised once the Academy Trust 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.

Donations are recognised on a receivable basis where receipt is probable 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.

1.5 Expenditure

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

Expenditure on charitable activities are costs incurred on the academy's educational operations, including support costs and those costs relating to the governance of the academy appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.6 Termination payments

Termination payments are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Academy Trust recognises termination payments when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination payments as a result of an offer made to encourage voluntary redundancy.

1.7 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold property	-	2% straight line
Furniture and fixtures	-	20% straight line

The Academy Trust occupies the leasehold property under 125 year leases with Norfolk County Council. Under the terms of the leases substantially all the risks and rewards of ownership have been transferred to the Academy Trust for £nil. As such the leasehold property have been recognised as fixed assets in the Balance Sheet at their fair value on being transferred to the Academy Trust.

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

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.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.9 Stocks

Stocks comprise school uniforms and are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.10 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.

1.11 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.

1.12 Liabilities and provisions

Liabilities and provisions 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.

1.13 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 17. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 18. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

1.14 Taxation

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

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.15 Pensions

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 23, 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.

1.16 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 Trustee.

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

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

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 2018

1. Accounting Policies (continued)

1.17 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, which are not therefore 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.

1.18 Critical accounting estimates and areas of judgment

Estimates and judgments 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 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. 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.

In assessing the carrying value of tangible fixed assets the Trustees estimate the anticipated useful lives and residual values of the assets. There have been no significant revisions to these estimations in the current financial year.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

2. Income from donations and capital grants

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	<i>Total funds 2017 £</i>
Donations	960	-	-	960	2,776
Capital Grants	-	-	616,789	616,789	-
	<u>960</u>	<u>-</u>	<u>616,789</u>	<u>617,749</u>	<u>2,776</u>
<i>Total 2017</i>	<u>2,776</u>	<u>-</u>	<u>-</u>	<u>2,776</u>	

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

3. Funding for Academy's educational operations

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
DfE/ESFA grants				
General Annual Grant	-	4,319,921	4,319,921	4,178,214
Pupil Premium	-	454,981	454,981	466,884
Other DfE/ESFA	-	178,521	178,521	222,476
PE and Sports Premium	-	71,680	71,680	35,765
	-	5,025,103	5,025,103	4,903,339
Other government grants				
Local Authority	-	298,244	298,244	264,962
SEN	-	114,913	114,913	102,529
	-	413,157	413,157	367,491
Other income from the Academy Trust's educational operations				
Catering	45,031	-	45,031	51,205
School Trips	37,186	-	37,186	28,688
Teacher placements	-	11,323	11,323	13,376
Uniforms	17,276	-	17,276	14,930
	99,493	11,323	110,816	108,199
	99,493	5,449,583	5,549,076	5,379,029
<i>Total 2017</i>	94,823	5,284,206	5,379,029	

4. Other trading activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Letting and hire income	49,644	-	49,644	40,296
Income from services provided	112,384	-	112,384	86,321
	162,028	-	162,028	126,617
<i>Total 2017</i>	126,617	-	126,617	

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5. Investment income

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Investment income	5,380	-	5,380	2,628
<i>Total 2017</i>	2,628	-	2,628	

6. Expenditure

	Staff costs 2018 £	Premises 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Activities:					
Direct costs	3,533,687	122,601	581,226	4,237,514	3,950,072
Support costs	512,408	743,069	396,287	1,651,764	1,466,934
	4,046,095	865,670	977,513	5,889,278	5,417,006
<i>Total 2017</i>	3,841,390	742,093	833,523	5,417,006	

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7. Direct costs

	Total 2018 £	Total 2017 £
FRS 102 pension adjustment	32,000	30,000
Educational visits	48,081	45,705
Supply teachers	160,652	182,002
Staff restructuring	-	16,042
Staff development	53,394	62,699
Educational support	275,764	143,886
Other educational supplies	83,941	30,106
Books, stationery and materials	51,930	33,596
ICT	122,601	49,326
Recruitment	36,116	19,845
Wages and salaries	2,596,107	2,618,167
National insurance	211,516	252,851
Pension cost	565,412	465,847
	<u>4,237,514</u>	<u>3,950,072</u>
<i>Total 2017</i>	<u>3,950,072</u>	

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NOTES TO THE FINANCIAL STATEMENTS
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8. Support costs

	Total 2018 £	Total 2017 £
Administration	89,124	95,808
Premises maintenance	201,835	176,778
School uniforms	14,378	13,880
Cleaning	57,436	70,830
Water rates	34,152	30,622
Light and heat	78,231	73,605
Insurance	82,077	61,046
Transport and travel	5,799	2,805
Catering	216,695	250,833
Professional fees	2,683	837
PFI management fee & affordability gap	35,970	42,069
Governance	31,638	61,456
Wages and salaries	422,405	250,388
National insurance	33,891	19,749
Pension cost	56,112	36,342
Depreciation	289,338	279,886
	<u>1,651,764</u>	<u>1,466,934</u>
<i>Total 2017</i>	<u>1,466,934</u>	

9. Net income/(expenditure)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the charity	289,338	279,886
Auditors' remuneration - audit	11,300	10,800
Auditors' remuneration - other services	2,400	2,400
Operating lease rentals	9,139	7,174
	<u>312,177</u>	<u>300,260</u>

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
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10. Staff costs

a. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	3,018,512	2,868,556
Social security costs	245,407	272,601
Operating costs of defined benefit pension schemes	621,524	502,189
	<u>3,885,443</u>	<u>3,643,346</u>
Agency staff costs	160,652	182,002
Staff restructuring costs	-	16,042
	<u><u>4,046,095</u></u>	<u><u>3,841,390</u></u>

Staff restructuring costs comprise:

	2018 £	2017 £
Severance payments	-	16,042
	<u><u>-</u></u>	<u><u>16,042</u></u>

b. Staff numbers

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

	2018 No.	2017 No.
Teachers	68	62
Support & Administration	103	96
Management	3	3
	<u>174</u>	<u>161</u>

c. Higher paid staff

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

	2018 No.	2017 No.
In the band £80,001 - £90,000	0	1
In the band £90,001 - £100,000	1	0

d. Key management personnel

The key management personnel are considered to be three Trust executive officers. The total amount of remuneration (including employer pension contributions and employer national insurance contributions) for key management personnel for their services to the Academy Trust was **£248,760** (2017: £228,951).

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

11. Central services

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

- Finance Support
- Operational Support
- Premises Support
- Curriculum Support

The Trust charges for these services on a full recharge basis (prior period: 7% of the General Annual Grant received by the individual schools). The charges for the year were as follows:

	2018	2017
	£	£
Heartsease Primary Academy	266,574	168,627
Henderson Green Primary Academy	89,644	108,593
Lingwood Primary Academy	82,978	73,603
Valley Primary Academy	89,994	116,431
	<u>529,190</u>	<u>467,254</u>
Total	<u><u>529,190</u></u>	<u><u>467,254</u></u>

In addition, the Trust incurred expenditure which was recharged to the schools' Pupil Premium and SEN funds. The combined value of these reimbursed costs in the year ended 31 August 2018 amounted to **£281,694** (2017: £Nil), split as follows:

Heartsease Primary Academy	£117,121
Henderson Green Primary Academy	£59,384
Lingwood Primary Academy	£65,165
Valley Primary Academy	£40,024
Total	£281,694

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12. Trustee's remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy. 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:

		2018 £	2017 £
C Kenna (CEO and Accounting Officer)	Remuneration	90,000-95,000	85,000-90,000
	Pension contributions paid	15,000-20,000	10,000-15,000
S Porter (Staff Trustee until 25 November 2017)	Remuneration	10,000-15,000	45,000-50,000
	Pension contributions paid	0-5,000	5,000-10,000

During the year ended 31 August 2018, expenses totalling £712 (2017 - £606) were reimbursed to 2 Trustees (2017 - 2).

13. Trustee's 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.

14. Other finance income

	2018 £	2017 £
Interest income on pension scheme assets	40,000	28,000
Interest on pension scheme liabilities	(72,000)	(58,000)
	<u>(32,000)</u>	<u>(30,000)</u>

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15. Tangible fixed assets

	Leasehold property £	Furniture and fixtures £	Motor vehicles £	Office equipment £	Computer equipment £	Total £
Cost						
At 1 September 2017	10,916,848	10,631	-	248,408	171,493	11,347,380
Additions	22,574	-	51,000	47,584	31,781	152,939
At 31 August 2018	<u>10,939,422</u>	<u>10,631</u>	<u>51,000</u>	<u>295,992</u>	<u>203,274</u>	<u>11,500,319</u>
Depreciation						
At 1 September 2017	328,614	9,556	-	153,885	112,739	604,794
Charge for the year	168,036	1,032	10,200	52,714	57,356	289,338
At 31 August 2018	<u>496,650</u>	<u>10,588</u>	<u>10,200</u>	<u>206,599</u>	<u>170,095</u>	<u>894,132</u>
Net book value						
At 31 August 2018	<u>10,442,772</u>	<u>43</u>	<u>40,800</u>	<u>89,393</u>	<u>33,179</u>	<u>10,606,187</u>
At 31 August 2017	<u>10,588,234</u>	<u>1,075</u>	<u>-</u>	<u>94,523</u>	<u>58,754</u>	<u>10,742,586</u>

16. Stocks

	2018 £	2017 £
Uniforms	<u>13,498</u>	<u>15,011</u>

17. Debtors

	2018 £	2017 £
Trade debtors	6,597	5,282
Other debtors	1,088	198
Prepayments and accrued income	325,881	200,513
VAT recoverable	64,633	79,146
	<u>398,199</u>	<u>285,139</u>

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18. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	221,384	129,544
Other taxation and social security	59,667	57,982
Other creditors	56,079	47,559
Accruals and deferred income	94,066	189,830
	431,196	424,915
	431,196	424,915
	2018	2017
	£	£
Deferred income		
Deferred income at 1 September 2017	124,473	103,761
Resources deferred during the year	73,740	124,473
Amounts released from previous years	(124,473)	(103,761)
	73,740	124,473
	73,740	124,473

Deferred income includes Universal Infant Free School Meal funding and other miscellaneous grant funding received for the following academic year.

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FOR THE YEAR ENDED 31 AUGUST 2018

19. Statement of funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Unrestricted funds						
General Funds	1,580,160	267,861	-	-	-	1,848,021
Restricted funds						
General Annual Grant (GAG)	817,629	4,319,921	(4,076,772)	(216,606)	-	844,172
Other DfE/ESFA grants	147,562	178,521	(233,996)	-	-	92,087
Pupil Premium	57,000	454,981	(450,271)	(61,710)	-	-
PE and Sport Premium	1,118	71,680	(40,421)	(8,049)	-	24,328
SEN cluster funding	-	114,913	(114,913)	-	-	-
Other grants	-	309,567	(309,567)	-	-	-
Pension reserve	(1,188,000)	-	(374,000)	156,000	391,000	(1,015,000)
	<u>(164,691)</u>	<u>5,449,583</u>	<u>(5,599,940)</u>	<u>(130,365)</u>	<u>391,000</u>	<u>(54,413)</u>
Restricted fixed asset funds						
	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Fixed assets on conversion	10,742,586	-	(256,648)	-	-	10,485,938
Capital additions from GAG	-	-	(15,646)	53,158	-	37,512
Capital additions from Pupil Premium	-	-	(14,740)	69,158	-	54,418
Capital additions from PE and Sport Premium	-	-	(2,304)	8,049	-	5,745
Capital additions from Condition Improvement Fund	-	616,789	-	-	-	616,789
	<u>10,742,586</u>	<u>616,789</u>	<u>(289,338)</u>	<u>130,365</u>	<u>-</u>	<u>11,200,402</u>
Total restricted funds	<u>10,577,895</u>	<u>6,066,372</u>	<u>(5,889,278)</u>	<u>-</u>	<u>391,000</u>	<u>11,145,989</u>
Total of funds	<u><u>12,158,055</u></u>	<u><u>6,334,233</u></u>	<u><u>(5,889,278)</u></u>	<u><u>-</u></u>	<u><u>391,000</u></u>	<u><u>12,994,010</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

19. Statement of funds (continued)

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 schools that has been provided to the Trust via the Education and Skills Funding Agency by the Department for Education. The GAG fund has been set up because the GAG must be used for the normal running costs of the Trust. The following transfers have been made in respect of GAG during the year: £156,000 to the pension reserve in respect of employer contributions to the Local Government Pension Scheme, £7,448 to Pupil Premium in respect of amounts overspent and £53,158 to the restricted fixed asset fund in respect of capital expenditure from the GAG fund.

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

The other government grants fund represents 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 represents tangible fixed assets gifted to the Trust by the local authority upon conversion and also those purchased by the Trust 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 Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £	<i>Total 2017 £</i>
Heartsease Primary Academy	774,771	719,141
Lingwood Primary Academy	218,318	211,518
Valley Primary Academy	358,629	262,106
Henderson Green Primary Academy	309,050	194,546
The HEART Education Trust	1,147,840	1,216,158
Total before fixed asset fund and pension reserve	2,808,608	2,603,469
Restricted fixed asset fund	11,200,402	10,742,586
Pension reserve	(1,015,000)	(1,188,000)
Total	12,994,010	12,158,055

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19. 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 depreciation £	Total 2018 £	Total 2017 £
Heartsease Primary Academy	1,522,351	28,194	156,919	479,621	2,187,085	2,128,887
Lingwood Primary Academy	489,788	31,638	44,532	109,867	675,825	607,170
Valley Primary Academy	588,848	56,369	60,294	143,303	848,814	872,727
Henderson Green Primary Academy	528,376	33,671	40,345	126,559	728,951	830,250
The HEART Education Trust	404,324	362,536	157,626	234,779	1,159,265	698,086
	<u>3,533,687</u>	<u>512,408</u>	<u>459,716</u>	<u>1,094,129</u>	<u>5,599,940</u>	<u>5,137,120</u>

Statement of funds - prior year

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
General Funds	1,255,980	226,844	(15,607)	112,943	-	1,580,160
Restricted funds						
General Annual Grant (GAG)	598,304	4,178,214	(3,833,889)	(125,000)	-	817,629
Other DfE/ESFA grants	120,312	222,476	(195,226)	-	-	147,562
Pupil premium	-	466,884	(409,884)	-	-	57,000
PE and sports premium	-	35,765	(34,647)	-	-	1,118
SEN cluster funding	-	102,529	(102,529)	-	-	-
Other grants	-	278,338	(278,338)	-	-	-
Pension reserve	(1,378,000)	-	(267,000)	125,000	332,000	(1,188,000)
	<u>(659,384)</u>	<u>5,284,206</u>	<u>(5,121,513)</u>	<u>-</u>	<u>332,000</u>	<u>(164,691)</u>

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19. Statement of funds (continued)

Restricted fixed asset funds

	<i>Balance at 1 September 2016</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 August 2018</i>
	£	£	£	£	£	£
Fixed assets on conversion	11,022,472	-	(279,886)	-	-	10,742,586
Capital funds on conversion	112,943	-	-	(112,943)	-	-
Total restricted funds	<u>10,476,031</u>	<u>5,284,206</u>	<u>(5,401,399)</u>	<u>(112,943)</u>	<u>332,000</u>	<u>10,577,895</u>
Total of funds	<u><u>11,732,011</u></u>	<u><u>5,511,050</u></u>	<u><u>(5,417,006)</u></u>	<u><u>-</u></u>	<u><u>332,000</u></u>	<u><u>12,158,055</u></u>

20. Analysis of net assets between funds

	Unrestricted funds 2018	Restricted funds 2018	Restricted fixed asset funds 2018	Total funds 2018
	£	£	£	£
Tangible fixed assets	-	-	10,606,187	10,606,187
Current assets	1,848,021	1,391,782	594,215	3,834,018
Creditors due within one year	-	(431,195)	-	(431,195)
Provisions for liabilities and charges	-	(1,015,000)	-	(1,015,000)
	<u>1,848,021</u>	<u>(54,413)</u>	<u>11,200,402</u>	<u>12,994,010</u>

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2017</i>	<i>Restricted funds 2017</i>	<i>Restricted fixed asset funds 2017</i>	<i>Total funds 2017</i>
	£	£	£	£
Tangible fixed assets	-	-	10,742,586	10,742,586
Current assets	1,580,160	1,448,225	-	3,028,385
Creditors due within one year	-	(424,916)	-	(424,916)
Provisions for liabilities and charges	-	(1,188,000)	-	(1,188,000)
	<u>1,580,160</u>	<u>(164,691)</u>	<u>10,742,586</u>	<u>12,158,055</u>

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NOTES TO THE FINANCIAL STATEMENTS
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21. Reconciliation of net movement in funds to net cash flow from operating activities

	2018	2017
	£	£
Net income for the year (as per Statement of Financial Activities)	444,955	94,044
Adjustment for:		
Depreciation charges	289,338	279,886
Dividends, interest and rents from investments	(5,380)	(2,628)
Decrease/(increase) in stocks	1,513	(15,011)
Increase in debtors	(113,060)	(9,484)
Increase in creditors	6,281	120,408
Capital grants from DfE and other capital income	(423,380)	-
Defined benefit pension scheme cost less contributions payable	186,000	112,000
Defined benefit pension scheme finance cost	32,000	30,000
Net cash provided by operating activities	418,267	609,215

22. Analysis of cash and cash equivalents

	2018	2017
	£	£
Cash in hand	1,483,809	2,439,965
Notice deposits (less than 3 months)	1,938,513	288,269
Total	3,422,322	2,728,234

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

Contributions amounting to £53,732 were payable to the schemes at 31 August 2018 (2017 - £47,380) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension

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23. Pension commitments (continued)

benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. 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.
- 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%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £286,000 (2017 - £267,000).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £202,000 (2017 - £164,000), of which employer's contributions totalled £156,000 (2017 - £125,000) and employees' contributions totalled £46,000 (2017 - £39,000).

The agreed employer contribution rates for future years are:

Trust

2018/19 15.8%
2019/20 15.8%

Heartsease Primary, Valley Primary, Lingwood Primary and Henderson Green Primary

2018/19 20.3%
2019/20 21.3%

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

23. Pension commitments (continued)

The agreed employee contribution rates for future years are 5.5 - 12.5%.

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:

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	2.60 %	2.70 %
Rate of increase for pensions in payment / inflation	2.30 %	2.40 %

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

	2018	2017
Retiring today		
Males	22.1	22.1
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.1
Females	26.4	26.4

Sensitivity analysis	At 31 August 2018	At 31 August 2017
	£	£
Discount rate -0.5%	418,000	368,000
Salary rate +0.5%	51,000	140,000
Pension rate +0.5%	363,000	216,000

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

	Fair value at 31 August 2018	Fair value at 31 August 2017
	£	£
Equities	925,650	944,260
Debt instruments	617,100	380,750
Property	217,800	167,530
Cash and other liquid assets	54,450	30,460
Total market value of assets	<u>1,815,000</u>	<u>1,523,000</u>

The actual return on scheme assets was £100,000 (2017 - £115,000).

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

23. Pension commitments (continued)

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2018 £	2017 £
Current service cost	(342,000)	(237,000)
Interest income	40,000	28,000
Interest cost	(72,000)	(58,000)
Total	(374,000)	(267,000)

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

	2018 £	2017 £
Opening defined benefit obligation	2,711,000	2,632,000
Current service cost	342,000	237,000
Interest cost	72,000	58,000
Employee contributions	46,000	39,000
Actuarial gains	(331,000)	(245,000)
Benefits paid	(10,000)	(10,000)
Closing defined benefit obligation	2,830,000	2,711,000

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

	2018 £	2017 £
Opening fair value of scheme assets	1,523,000	1,254,000
Interest income	40,000	28,000
Actuarial losses	60,000	87,000
Employer contributions	156,000	125,000
Employee contributions	46,000	39,000
Benefits paid	(10,000)	(10,000)
Closing fair value of scheme assets	1,815,000	1,523,000

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FOR THE YEAR ENDED 31 AUGUST 2018

24. Operating lease commitments

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

	2018 £	2017 £
Amounts payable:		
Within 1 year	3,193	8,993
Between 1 and 5 years	875	3,216
Total	<u>4,068</u>	<u>12,209</u>

25. 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.

26. Related party transactions

Owing to the nature of the academy trust 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 Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

Expenditure Related Party Transaction

During the year the daughter of C Kenna (Chief Executive Officer and Accounting Officer) was employed as the Trust's Chief Operating Officer. Her appointment was made in open competition and C Kenna was not involved in the decision making process regarding her family member's appointment. The Chief Operating Officer is paid within the normal pay scale for her role and receives no special treatment as a result of her relationship to C Kenna.