



HEART
EDUCATION TRUST

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

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 (resigned 28 November 2018)
Mike Tait (appointed 1 August 2019)

Trustees

Mike Tait, Chair of Trustees (resigned 31 October 2019)
David Tibble, Chair of Trustees (appointed 31 October 2019)
Laura Myles, Vice Chair of Trustees
Christina Kenna, Chief Executive Officer
Timothy Payne
Alan Jones
Jill Bale, Parent Trustee (resigned 9 January 2019)
James Bell, Parent Trustee
Lisa Bambridge (resigned 7 January 2019)
John Crofts (appointed 24 July 2019)
Nicholas Chapman (appointed 24 July 2019)
John Morse (appointed 24 July 2019)
James McAtear (appointed 24 July 2019)
Jonathan Steward, Parent Trustee (appointed 11 December 2019)

Company Secretary

Hazel Cubbage

Executive Board

Christina Kenna (Chief Executive Officer)
Hazel Cubbage (Chief Operating Officer)

(Trust senior management team)

Company Name

The HEART Education Trust

Principal and Registered Office

Heartsease Primary Academy
Rider Haggard Road
Norwich
Norfolk NR7 9UE

Company Registration Number

08286818

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Independent Auditor

MA Partners Audit LLP
7 The Close Norwich
Norfolk NR1 4DJ

Bankers

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

Solicitors

Browne Jacobson,
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 2018 to 31 August 2019. 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 1,038 per the school census of October 2019.

1. 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 operates as the HEART Education Trust.

Details of the Trustees who served during the year are included in the Reference and Administrative Details of this document.

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 through 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. Parent Trustees are elected or appointed under articles 53-56 of the Articles of Association, whereby they are elected by the parents of registered pupils at the Trust Academies but appointed by the Board of Trustees if the number of parents standing for election is less than the number of vacancies. The Chief Executive Officer is an ex officio Trustee under article 57.

The Trustees actively recruit trustees from amongst stakeholders, the community and the professional networks of the existing Trustees and / or members. The Trustees also utilise the Academy Ambassadors programme. The Trustees recruit new trustees on the basis of particular skills that are shown to be required during regular skills audits, having regard to any recommendations made by the members, Trust Executive Board, 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

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appointment is usually made by written resolution of the Trustees (majority resolution). However, the Chief Executive Officer also has delegated authority to appoint a trustee in exceptional circumstances, and such appointment is then ratified by the Board of Trustees at the next fully quorate Board meeting. The 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 him. These pen portraits identify the proposed trustee's background, qualifications, skills and experience and specify what value the proposed trustee can add to the Board.

Trustees will also sit on one of the Trust's central committees, based on their particular skills and interests.

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 an induction pack, which contains the following:

- Academy Ambassadors *On Board* Induction Pack
- Academies Financial Handbook
- Academy Ambassadors Conflict of Interest Policy
- Keeping Children Safe in Education
- Trustees Code of Conduct
- Trustee Role Description
- Governance Handbook
- The Essential Trustee (Charity Commission)
- Competency Framework for Governance
- Articles of Association
- 21 Questions for MATs
- Understanding Your Data
- School Inspection Handbook
- Charity Governance Code
- Academy Ambassadors Directors Liabilities
- NGA What We Expect

They must also complete a declaration of business interests form and a skills audit matrix. New trustees are expected to 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 compliance 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.

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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 Executive Board (the Trust's senior management team). 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 its central committees. Those central committees comprised of:

- Finance & Audit
- Education Standards
- Pay

However, the Trust regularly reviews its governance structure to ensure continuous improvement and effectiveness. On 31 October 2019, following the close of the accounting period the Board resolved to disestablish those committees and replace them with the following:

- Risk & Audit
- Pay

The Board believes it will be more robust and effective in its governance if it does not delegate matters of finance and educational standards.

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:

- Appointment of new Trustees to the Board.
- Approval of the Trust Budget and Budget Forecast Return.
- Decisions relating to the Trust's financial reserves.
- Decisions relating to amendments to Trust paycales.
- Approval of the Trust's annual accounts.
- Authorisation of financial commitments over £50,000.

Arrangements for setting pay and remuneration of key management personnel

The Trust's key management personnel are C Kenna (CEO) and H Cabbage (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 pay scale (STPCD). C Kenna was awarded a performance related pay award during the accounting period and a 1.5% cost of living increment in September 2018 that was awarded to all staff on the Leadership pay scale within the Trust. The performance related pay award for C Kenna was carried out by the Pay Committee in November 2018 and was awarded where C Kenna had met or exceeded her targets. The pay award was granted in line with the Trust's Performance Review Policy that is followed for all Trust employees.

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The salary for H Cabbage was reviewed and a benchmarking exercise was carried out by the Board of Trustees in July 2018, and this was referred to in the previous Trustees' Report. Following this benchmarking exercise, the Board resolved to revise H Cabbage's salary upwards in line with market expectations and the responsibilities of the role. This uplift was applied during the accounting period, from 1 September 2018. Neither H Cabbage nor C Kenna participated in this exercise and were not present at the discussions the Board of Trustees held on the matter. In addition, during the accounting period, H Cabbage received a 2% cost of living increment in April 2019 that was the de minimis of the increments awarded to all support staff within the Trust. The Board also resolved to sponsor H Cabbage from out of its apprenticeship levy to undertake the Level 7 Senior Management apprenticeship, which commenced in February 2019.

The pay for each Academy Headteacher is initially set by the Executive Board, having regard to the appropriate headteacher group 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

The Trusts buys into the Local Facilities time arrangements run through the Local Authority. The Trust paid £3,001.19 for this arrangement during the accounting period. Therefore, the Trust does not need to provide release time for employees to participate in relevant trade union activities as instead, designated local trade union officials deliver the statutory facility time requirements.

Relevant union officials

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

Percentage of time spent on facilities time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0% | 0 |
| 1%-50% | 0 |
| 51%-99% | 0 |
| 100% | 0 |

Percentage of pay bill spent on facility time

| | |
|--|------------|
| Provide the total cost of facility time | £3,001.19 |
| Provide the total pay bill | £4,084,770 |
| Provide the percentage of the total pay bill spent | 0.08% |

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Paid trade union activities

| | |
|--|----|
| Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) × 100 | 0% |
|--|----|

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).

Further information on related party transactions is disclosed in Note 23. 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. The above is displayed on the Trust's website.

2. 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 organisational values, which are as follows:

Mission Statement

To improve the life-chances of children through education.

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Vision Statement

We believe that we are here to provide better life-chances for children. Everything we do is about improving the futures of the most disadvantaged children. We believe in high quality, inclusive education that does not limit aspiration. We constantly focus on personal development, in order to grow children who are resilient, determined and confident. We believe that education extends beyond the classroom, and teach our children to be independent and creative thinkers who are always curious. We want our children to develop a lifetime passion for learning and self-awareness. We aim to provide our children with a toolkit for metacognition and self-improvement that they can utilize in their adult life to build better futures for themselves. Our children are the future, and regardless of their starting points in life, they will change the world. We believe it is our role to prepare them for this responsibility by instilling within them a sense of social responsibility that will inspire them to build a more sustainable world for all.

Organisational Values

- High quality education for all
- The inspiration and empowerment of personal growth
- The promotion of social mobility and social diversity
- A commitment to social responsibility

Objectives, Strategies and Activities

The Trust's main objectives for the accounting period are set out below, together with the strategies for achieving them:

- 1) To develop an outstanding early years provision across the Trust

The Trust devised and implemented an Early Years improvement strategy in Summer 2019.

- 2) To develop and implement a Trust wide curriculum strategy and centralised CPD programme in order to advance teaching and learning across the Trust

The Trust devised and implemented an NQT Induction Programme and is developing a brand new curriculum for implementation in September 2020. A project steering group was established during the accounting period, and many aspects of the new curriculum have already been rolled out.

- 3) To achieve an overall "Good" Ofsted grading for Henderson Green Primary Academy and Valley Primary Academy

A school improvement plan was followed at both schools, and a rapid action plan was introduced at Valley Primary Academy. Implementation of these included additional support from the Trust at both schools from the CEO and Heads of Quality Assurance with particular focus on leadership, behaviour and teaching and learning.

- 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

The Trust introduced new assessment software and employed a Head of Quality Assurance (Performance & Standards) to further support Headteachers with achieving this aim.

- 5) To reduce the gap between disadvantaged and non-disadvantaged pupils

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The Trust planned a centralised pupil premium strategy, which headteachers from across the Trust Academies joined together to design and implement. This focused on 8 core areas, including improving early speech and language, curriculum enrichment and raising aspiration, social and emotional support and targeted academic support to address prior attainment gaps.

- 6) To improve parental engagement across the Trust

Headteachers have focused on building links between home and school across their communities. This includes strategies such as parent cafes, open days, family support plans, improved communications and the work of Pastoral staff and a Parent Support Assistant.

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

The Trust moved to a GAG pooling arrangement in January 2019, to better achieve this aim.

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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3. Strategic Report

Achievements and Performance (Including against Key Performance Indicators)

The Trust has performed well this year in achieving the aims and objectives this year, as the following analysis against key performance indicators sets out:

1) *To develop an outstanding early years provision across the Trust*

We achieved an average GLD of 78.5% across our four schools in summer 2019, against a national average of only 72%. The Trust has introduced an EYFS Strategy, comprising of an action plan and revised EYFS policy, which has already been observed as having impact. The Trust's approach is influenced by Ofsted's *Bold Beginnings*. Lesson observations and monitoring demonstrates that pupils are responding well to a more formal way of teaching Maths and English. Pencil grip and letter formation is developing well and there is a structured approach to phonics and reading.

2) *To develop and implement a Trust wide curriculum strategy and centralised CPD programme in order to advance teaching and learning across the Trust*

The Trust has taken significant steps towards achieving this aim. There is greater consistency across the Trust in the delivery of curriculum, and staff are working collaboratively to implement those parts of the new curriculum already developed. Knowledge organisers are being successfully used to direct pupils' knowledge, skills and vocabulary learning across all Academies, and impact can be demonstrated.

3) *To achieve an overall "Good" Ofsted grading for Henderson Green Primary Academy and Valley Primary Academy*

In November 2018, Henderson Green Primary Academy achieved a "Good" Ofsted grading in all areas. The school had not received such a grading since its inspection in December 2005. It joined the Trust as a sponsored Academy in mid-2016, having been graded "Requires Improvement" for almost three years. In their report, Ofsted noted that School leaders and the Multi-Academy Trust (MAT) have worked together successfully to provide a clear direction for the school, which has led to strong improvements. This followed Lingwood Primary Academy's "Good" Ofsted in July 2018 and Heartsease Primary Academy's "Outstanding" in July 2016.

Valley Primary Academy received its first Ofsted inspection as an Academy in June 2019, where the effectiveness of leadership and management, and pupils' personal development, behaviour and welfare were both areas graded "Good". Although the school's improvement journey continues, this marks a positive leap forward from the standard of the school when it was passed to the Trust in 2016 by a Local Authority-established Interim Executive Board.

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*

KS2 attainment in RWM combined at Henderson Green Primary Academy was 90% in 2019, well above national average of 65%. The results showed that all subjects are rapidly improving with the exception of writing, which was still well above national average. Scaled scores in Reading and Maths exceeded national. Phonics has improved with the addition of the Read Write Inc programme and the EYFS GLD is improving with the focus on the EYFS strategy. Key Stage 2 results at Heartsease Primary Academy show progress is improving in all areas over time. Pupils achieving greater depth across RWM combined is increasing but is not yet at the national average (8.77%/10.51%). Attainment in RWM is below the national average at 56%/65% - strategies are in place across the Trust to improve reading and are proving effective. At Lingwood Primary Academy, attainment in RWM combined was 70% and therefore above national average, whilst pupils attaining at greater depth was in line with national. At Valley, there is largely an upward trend of improvement at KS2, EYFS and KS1 Phonics. Given that

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children enter Valley with a very low baseline, meaning many of the children start school without being school-ready, they make good progress as they leave at national average. The school is therefore adding value.

5) To reduce the gap between disadvantaged and non-disadvantaged pupils

Although a gap still exists, qualitative data suggests that the Trust's Pupil Premium Strategy and the improvements being made in respect of Quality First Teaching are having positive impact. The Trust has invested heavily in its curriculum enrichment programme, providing pupils with karate, musical instrument lessons, drama lessons, outdoor learning opportunities through forest schools and Bush Craft and a variety of educational visits. The pupil premium strategy enables disadvantaged pupils the opportunities that are often only available to non-disadvantaged peers. There has been a particular focus on speech and language, to close the vocabulary gap between disadvantaged and non-disadvantaged pupils. In addition, software packages such as Bugclub, Espresso and Times Table Rockstars and intervention staff have been utilized to help close the gap. As part of the strategy, all schools have a pastoral manager or assistant to support attendance and behaviour so that pupils are ready to learn.

6) To improve parental engagement across the Trust

This is an ongoing commitment by the Trust and each of its Academies. The Trust relies on pupil attendance data and numbers on roll as a key performance indicator of the level of parental engagement. During the course of the year, pupil numbers increased from 1,024 to 1,038 (October census 2018 and 2019). Average attendance for the four schools ranged between over 94% to over 96% for the year. This is broadly in line with the DFE's published national average of 96.3% for primary (Autumn 2018).

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

Despite an in-year GAG revenue deficit, the Trust has once again successfully closed the financial year with a surplus. This is due to the quality of the systems of financial control, financial management and attention to value for money. There is a positive net cash inflow from operations of £179,880. Total staff pay was 95% of GAG for the year, up from 93.7% in 2018. Total staff pay stood at 66.3% of total income for the year, up from 63.9% in 2018.

Going Concern

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

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4. Financial Review

The Trust receives 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 **£4,300,031** 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 **£54,532 (2018: £49,644)** during the period in respect of lettings and **£126,398 (2018: £112,384)** for services it provided (this figure includes £26,022 of staff absence insurance income). The total income for the year to 31 August 2019 was **£6,421,343** and the total expenditure was **£6,105,355**, which was covered by incoming resources and resulted in a total surplus of **£315,988** before actuarial movements.

Reserves Policy

The balance sheet as at 31 August 2019 shows that the Trust has total funds of **£12,432,998** of which:

- £11,865,075 relates to restricted fixed asset funds
- (£2,015,000) relates to the restricted pension fund
- £426,258 relates to restricted general funds
- £2,156,665 relates to unrestricted general funds

The restricted fixed asset fund comprises of £600,965 of capital income cash receipts and accrued income, relating to Condition Improvement Fund (CIF) projects currently underway and future ICT needs of the Trust.

Of the restricted general funds:

- £130,292 relates to DFE Grants, including carried forward PE & Sport Premium, and grants from other bodies and are being spent in accordance with the conditions and purposes for which those grants were given.
- £83,056 relates to the ongoing ICT refresh programme held within General Annual Grant funds.
- £212,910 relates to General Annual Grant funds that are being used to support a budgeted revenue deficit for 2019/20 and beyond, that has been agreed by the Board as part of its strategy in relation to school improvement across its Academies.

Of the unrestricted funds:

- £510,596 will be held as a contingency fund. 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 2019, the Trust has carried forward £510,596 as its contingency fund for the period to 31 August 2020 and this amount will be placed into a longer-term investment.
- £150,000 – Building Maintenance Contingency Fund. Two of the Trust's schools have very old buildings and the Trust also has a swimming pool. Therefore, the Board has resolved that it is

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prudent to set aside funds in respect of the ongoing maintenance requirements of these assets in future periods.

- £59,718 relates to the 2018/19 revenue surplus generated by the Trust's nursery provision, Bishys. This Board has agreed to ring-fence this fund for reinvestment in developing the Trust's existing nursery provision and expanding the Bishys brand in order to achieve its strategic objectives.
- £195,144 relates to committed capital expenditure, including the Trust's contribution towards the building projects for which it has received or applied for CIF funding.

The remaining unrestricted reserves will be spent over future periods for the achievement of the Trust's strategic objectives in order to realise its vision. With the exception of the Trust Contingency fund, the reserves will be held in shorter term investments (i.e. the Trust's 32 day notice account) and 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 ESFA'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 Risk Register identifies 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:

- That a Trust Academy receives an Ofsted grading that is not at least "Good" (Educational Risk)

Now only one of the Trust's Academies remains "Requires Improvement" and even that has been assessed as "Good" in terms of leadership and behaviour. However, the Trust recognises that Ofsted gradings are transient and that if one of the Academies were to be downgraded in its Ofsted rating, this could affect the Trust's strategic objectives and have a financial impact in terms of reduced pupil numbers. If such were to occur at Heartsease Primary Academy, this could result in the school being re-brokered to another Trust which would leave the Trust financially unsustainable.

The Trust Board has mitigated against this risk by directing the CEO to prioritise school improvement above all other Executive duties and by agreeing a revenue deficit budget for 2019/20 (supported by existing reserves) to retain two Heads of Quality Assurance roles, to ensure the Trust has full capacity to keep or progress its existing schools to "Good" or "Outstanding".

- That Senior Management lacks experience (Operational Risk)

The Trust's Academy Headteachers are all in their first headships and from January 2019, the departure of the shared head across two of the schools means two additional headteachers have been appointed – one with no headship experience and one with only 2 terms' experience. There is a risk that Trust-wide leadership inexperience could lead to poor educational standards and cause the Trust not to achieve its strategic objectives. This risk has been mitigated by the measures stated above and the Trust is investing in CPD of teaching and leadership staff to further mitigate the risk.

- That levels of unrestricted reserves held are too high (Strategic & Reputational Risk)

The Trust holds a high level of unrestricted reserves which are largely historic and are now being re-invested into achieving the Trust's vision, in line with its strategic objectives. However, such high levels of unrestricted reserves could attract criticism from ESFA / DfE for overly conservative financial management if the Trust does not perform well. This risk is being mitigated by the current reserves policy employed by the Trust Board, which has already seen over £140K of funds invested into ICT in the current accounting period. The Trust Board regularly reviews the individual Academy's school improvement / development needs in light of the reserves held, to ensure these are spent where there is an evidenced impact that can be made by such investment.

The Trust does not consider that it faces exposure to material financial risk, including credit, cash flow and liquidity risks. However, the Trust notes that like all Multi-Academy Trusts, it holds a Local Government Pension Scheme deficit.

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Fundraising

Throughout the accounting period, the Trust has periodically facilitated fundraising events for other charitable bodies, including Comic Relief and Children in Need. Fundraising on behalf of the schools themselves is carried out by Friends associations and not by the Trust itself. The Trust accepts voluntary donations from parents of its pupils in respect of educational visits and similar activities in line with its Charging and Remissions Policy.

5. Plans for Future Periods

The Strategic Board of Trustees has agreed the following key objectives:

- 1) All of our Academies are good or better
- 2) All of our pupils make educational progress from their starting points
- 3) All of our pupils and staff are emotionally and physically healthy
- 4) The gap between our disadvantaged and non-disadvantaged pupils closes
- 5) We proactively contribute to a sustainable environment
- 6) We actively work towards improving our wider society
- 7) All our Academies generate a financial surplus each year that is reinvested into achieving our vision

The Trustees believe that attainment of these objectives is the best way for the Trust to achieve its vision, and it is these objectives that influence the strategic decisions of the Trustees and will continue to do so in future periods. Many of these build on the Trust's past experience and successes, enabling the Trust to improve upon already successful strategies. For example, the Trust will continue with its pupil premium strategy and investing resources into quality first teaching to achieve objectives 1, 2, 4 and 6. The Trust is working with its strategic partners to reduce its carbon footprint, in pursuance of objectives 5 and 6. The Trust has also and will continue to invest in mental health and wellbeing strategies for its pupils and staff in pursuance of objective 3.

6. Funds Held as Custodian Trustee on Behalf of Others

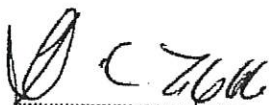
The Trust does not currently hold any funds on behalf of others as a custodian trustee.

7. 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 11 December 2019 and signed on the Board's behalf by:



D Tibble
Chair of Trustees

Date: 11th December 2019

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT

1. 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.

2. Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 7 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee Attendance

| Trustee Name | Meetings Attended | Out of a Possible |
|------------------|-------------------|-------------------|
| Christina Kenna | 7 | 7 |
| Mike Tait | 4 | 7 |
| Tim Payne | 7 | 7 |
| Laura Myles | 7 | 7 |
| Alan Jones | 4 | 7 |
| James Bell | 4 | 7 |
| John Crofts | 2 | 2 |
| James McAtear | 0 | 1 |
| John Morse | 0 | 1 |
| Nicholas Chapman | 0 | 1 |
| Lisa Bambridge | 0 | 2 |
| Jill Bale | 1 | 2 |

The Board has regularly reviewed its own performance and effectiveness throughout the year. An internal review of governance was carried out by the Executive Board in 19 October 2018, and an effective governance action plan was adopted by the Board on 1 November 2018. This process identified weaknesses in the Trust Board in terms of number of trustees, analysis of the skills possessed by the Board collectively and identification of gaps in those skills and receipt of clear and timely information by the Board. The Action Plan was put into place and kept under regular review throughout the year, resulting in the appointment of 4 additional trustees during 2019/20, recruited on the basis of skills gaps identified from amongst the existing trustees.

The Board is confident in the accuracy and quality of the data it receives in terms of pupil data and financial data. The Executive Board has adopted appropriate software and internal systems of control to ensure that data collected are of sufficient veracity, volume and variety to enable the Board to make informed strategic decisions.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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:

| Member Name | Meetings Attended | Out of a Possible |
|-------------|-------------------|-------------------|
| M Tait | 2 | 3 |
| L Myles | 2 | 2 |
| T Payne | 2 | 2 |
| J Bell | 1 | 1 |
| John Crofts | 1 | 1 |
| J Bale | 1 | 1 |

Education Standards Committee

The Education 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 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 | 2 | 2 |
| T Payne | 2 | 2 |
| A Jones | 1 | 2 |
| J Bell | 2 | 2 |
| M Tait | 2 | 2 |
| Christina Kenna | 2 | 2 |

THE HEART EDUCATION TRUST (A Company Limited by Guarantee)

3. 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:

- Ensuring robust procurement exercises are undertaken for purchases, which has included the purchase of new assessment software, payroll service, Data Protection Officer Service, grounds maintenance service and health and safety advisory service.
- Ensuring that the Trust's assets are repaired and replaced in order to preserve their value and that robust procurement is undertaken in respect of all capital expenditure in this regard. This includes managing two major CIF projects, upgrade works in respect of the nursery outdoor area at Heartsease and various revenue expenditure in respect of planned preventative maintenance and reactive maintenance of assets.
- Undertaking options appraisals to ensure that the most commercially suitable projects are pursued, that have regard to the quantitative and qualitative factors in order to ensure the Trust optimises its cash resources. For example, in respect of managing the staffing structure of the Trust and entering into a total facilities management solution that saw the entire premises department outsourced to another organisation.

4. 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 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

5. 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 2018 to 31 August 2019 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 HEART EDUCATION TRUST
(A Company Limited by Guarantee)

6. 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 Trust Board 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 to appoint an internal auditor for 2019/20 onwards. For the current period, the Trustees did not consider that an internal auditor was required but instead 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 16 November 2018, 1 March 2019 and 28 June 2019.

No material control issues were identified. The external reviewer identified some areas of improvement, such as recommending the procurement of asset management software.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

7. 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

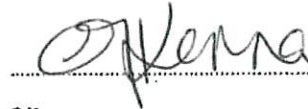
The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance & Audit Committee and a plan to ensure continuous improvement of the system, is in place.

Approved by order of the members of the Board of Trustees on 11 December 2019 and signed on its behalf by:



D Tibble
Chair of Trustees

Date: 11th December 2019



C Kenna
Accounting Officer

Date: 11th December 2019.


THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The HEART Education Trust I have considered my responsibility to notify the Trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the funding agreement in place between the 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 2018.

I confirm that I and the Trust Board of Trustees are able to identify any material irregular or improper use of all funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2018.

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: 11 December 2019

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction published 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 Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

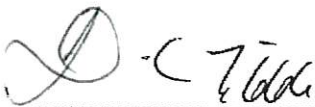
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting 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 Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of Trustees and signed on its behalf by:



.....
D Tibble
Chair of Trustees

Date: 11 December 2019

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 'trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, 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 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2019 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 2018 to 2019 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 Trust 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 Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Other information

The Trustees are 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. Other information includes the Reference and Administrative Details, the Trustees' Report including the Strategic Report, and the Governance Statement. 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 Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' 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 Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

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

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

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust 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.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Use of our report

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

7 The Close

Norwich

Norfolk

NR1 4DJ

16 December 2019

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S 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 [enter date here] and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, 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 2018 to 31 August 2019 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 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 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 [enter date here] and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

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 2018.

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.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MA Partners Audit LLP

MA Partners Audit LLP

Date: 16 December 2019

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2019

| | Note | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|---|------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Income from: | | | | | | |
| Donations and capital grants | 3 | 5,680 | - | 682,950 | 688,630 | 670,785 |
| Charitable activities | | 109,962 | 5,429,749 | - | 5,539,711 | 5,496,040 |
| Other trading activities | | 180,930 | - | - | 180,930 | 162,028 |
| Investments | 6 | 12,072 | - | - | 12,072 | 5,380 |
| Total income | | 308,644 | 5,429,749 | 682,950 | 6,421,343 | 6,334,233 |
| Expenditure on: | | | | | | |
| Charitable activities | | - | 5,776,018 | 329,337 | 6,105,355 | 5,889,278 |
| Total expenditure | | - | 5,776,018 | 329,337 | 6,105,355 | 5,889,278 |
| Net income/(expenditure) | | 308,644 | (346,269) | 353,613 | 315,988 | 444,955 |
| Transfers between funds | 18 | - | (311,060) | 311,060 | - | - |
| Net movement in funds before other recognised gains/(losses) | | 308,644 | (657,329) | 664,673 | 315,988 | 444,955 |
| Other recognised gains/(losses): | | | | | | |
| Actuarial losses on defined benefit pension schemes | 23 | - | (877,000) | - | (877,000) | 391,000 |
| Net movement in funds | | 308,644 | (1,534,329) | 664,673 | (561,012) | 835,955 |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
(CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

| Note | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|------------------------------------|------------------------------------|----------------------------------|---|-----------------------------|---------------------------------------|
| Reconciliation of funds: | | | | | |
| Total funds brought forward | 1,848,021 | (54,413) | 11,200,402 | 12,994,010 | 12,158,055 |
| Net movement in funds | 308,644 | (1,534,329) | 664,673 | (561,012) | 835,955 |
| Total funds carried forward | 2,156,665 | (1,588,742) | 11,865,075 | 12,432,998 | 12,994,010 |

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 35 to 63 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 AUGUST 2019

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 14 | 11,264,111 | 10,606,187 |
| | | <u>11,264,111</u> | <u>10,606,187</u> |
| Current assets | | | |
| Stocks | 15 | 12,100 | 13,498 |
| Debtors | 16 | 440,188 | 398,199 |
| Cash at bank and in hand | | 3,212,313 | 3,422,322 |
| | | <u>3,664,601</u> | <u>3,834,019</u> |
| Creditors: amounts falling due within one year | 17 | (480,714) | (431,196) |
| Net current assets | | <u>3,183,887</u> | <u>3,402,823</u> |
| Total assets less current liabilities | | <u>14,447,998</u> | <u>14,009,010</u> |
| Net assets excluding pension liability | | <u>14,447,998</u> | <u>14,009,010</u> |
| Defined benefit pension scheme liability | 23 | (2,015,000) | (1,015,000) |
| Total net assets | | <u><u>12,432,998</u></u> | <u><u>12,994,010</u></u> |
| Funds of the Trust | | | |
| Restricted funds: | | | |
| Fixed asset funds | 18 | 11,865,075 | 11,200,402 |
| Restricted income funds | 18 | 426,258 | 960,587 |
| Pension reserve | 18 | (2,015,000) | (1,015,000) |
| Total restricted funds | 18 | <u>10,276,333</u> | <u>11,145,989</u> |
| Unrestricted income funds | 18 | <u>2,156,665</u> | <u>1,848,021</u> |
| Total funds | | <u><u>12,432,998</u></u> | <u><u>12,994,010</u></u> |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019

The financial statements on pages 30 to 63 were approved by the Trustees, and authorised for issue on 11 December 2019 and are signed on their behalf, by:



D Tibble
Chair of Trustees

Date: 11 December 2019

The notes on pages 35 to 63 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 2019

| | Note | 2019 £ | 2018 £ |
|---|------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | 20 | 179,880 | 418,267 |
| Cash flows from investing activities | 21 | (389,889) | 275,821 |
| Change in cash and cash equivalents in the year | | (210,009) | 694,088 |
| Cash and cash equivalents at the beginning of the year | | 3,422,322 | 2,728,234 |
| Cash and cash equivalents at the end of the year | 22 | <u>3,212,313</u> | <u>3,422,322</u> |

The notes on pages 35 to 63 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 2019

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the Trust, which is a public benefit entity under FRS 102, have been prepared under the historic 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The HEART Education Trust meets the definition of a public benefit entity under FRS 102.

1.2 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 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 Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the 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 2019

1. Accounting policies (continued)

1.3 Income

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

• **Grants**

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

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

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

• **Donations**

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

• **Other income**

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

1.4 Expenditure

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

• **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. Accounting policies (continued)

1.5 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Trust; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

1.6 Taxation

The 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 Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.7 Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is provided on the following bases:

| | |
|-------------------------|---------------------------|
| Leasehold buildings | - 50 years straight line |
| Leasehold land | - 125 years straight line |
| Furniture and equipment | - 4 years straight line |
| Computer equipment | - 3 years straight line |
| Motor vehicles | - 5 years straight line |

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.

The Trust is party to lease agreements with Norfolk County Council for the school property. The leases are for a period of 125 years and substantially all the risks and rewards of ownership have been transferred to the Trust for £Nil rental. As such, the school properties have been recognised as fixed assets in the balance sheet at a fair value. The fair values are based upon the values written out of Norfolk County Council's financial statements on conversion.

1.8 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.

1.9 Debtors

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

1.10 Cash at bank and in hand

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

1.11 Liabilities

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

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. Accounting policies (continued)

1.12 Financial instruments

The Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Trust and their measurement bases 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 16. Prepayments are not financial instruments. Amounts due to the Trust's wholly owned subsidiary are held at face value less any impairment. 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 cost as detailed in note 17. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to the Trust's wholly owned subsidiary are held at face value less any impairment.

1.13 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

1.14 Pensions

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

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

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

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

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

1. Accounting policies (continued)

1.15 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the 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.

1.16 Private Finance Initiative (PFI) Schemes

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

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2019. 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 2019

3. Income from donations and capital grants

| | Unrestricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|-------------------|------------------------------------|---|-----------------------------|---------------------------------------|
| Donations | 5,680 | 30,493 | 36,173 | 960 |
| Capital Grants | - | 652,457 | 652,457 | 669,825 |
| | <u>5,680</u> | <u>682,950</u> | <u>688,630</u> | <u>670,785</u> |
| <i>Total 2018</i> | <u>960</u> | <u>669,825</u> | <u>670,785</u> | |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

4. Funding for the Trust's educational operations

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|---|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| DfE/ESFA grants | | | | |
| General Annual Grant (GAG) | - | 4,300,031 | 4,300,031 | 4,319,921 |
| Pupil Premium | - | 457,340 | 457,340 | 454,981 |
| Other DfE/ESFA | - | 172,674 | 172,674 | 125,486 |
| PE and Sports Premium | - | 71,870 | 71,870 | 71,680 |
| | - | 5,001,915 | 5,001,915 | 4,972,068 |
| Other government grants | | | | |
| Local Authority | - | 362,886 | 362,886 | 298,244 |
| SEN | - | 62,100 | 62,100 | 114,913 |
| | - | 424,986 | 424,986 | 413,157 |
| Other income from the Trust's educational operations | | | | |
| Catering | 47,447 | - | 47,447 | 45,031 |
| School trips | 41,801 | - | 41,801 | 37,186 |
| Teacher placements | - | 2,848 | 2,848 | 11,323 |
| Uniforms | 20,714 | - | 20,714 | 17,276 |
| | 109,962 | 2,848 | 112,810 | 110,816 |
| | 109,962 | 5,429,749 | 5,539,711 | 5,496,041 |
| <i>Total 2018</i> | 99,493 | 5,396,548 | 5,496,041 | |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

5. Income from other trading activities

| | Unrestricted funds 2019 £ | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|-------------------------------|--|---------------------------------------|---------------------------------------|
| Letting and hire income | 54,532 | 54,532 | 49,644 |
| Income from services provided | 126,398 | 126,398 | 112,384 |
| | <u>180,930</u> | <u>180,930</u> | <u>162,028</u> |

6. Investment income

| | Unrestricted funds 2019 £ | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|-------------------|--|---------------------------------------|---------------------------------------|
| Investment income | 12,072 | 12,072 | 5,380 |
| | <u>12,072</u> | <u>12,072</u> | <u>5,380</u> |

7. Expenditure

| | Staff Costs 2019 £ | Premises 2019 £ | Other 2019 £ | Total 2019 £ | <i>Total 2018 £</i> |
|-------------------------|-----------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Educational operations: | | | | | |
| Direct costs | 3,838,889 | 68,629 | 535,427 | 4,442,945 | 4,237,514 |
| Support costs | 421,351 | 854,032 | 387,027 | 1,662,410 | 1,651,764 |
| Total 2019 | <u>4,260,240</u> | <u>922,661</u> | <u>922,454</u> | <u>6,105,355</u> | <u>5,889,278</u> |
| <i>Total 2018</i> | <u>4,046,095</u> | <u>865,670</u> | <u>977,513</u> | <u>5,889,278</u> | |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

8. Analysis of expenditure by activities

| | Activities undertaken directly 2019 £ | Support costs 2019 £ | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|------------------------|--|---|---------------------------------------|---------------------------------------|
| Educational operations | 4,442,945 | 1,662,410 | 6,105,355 | 5,889,278 |
| <i>Total 2018</i> | <u>4,237,514</u> | <u>1,651,764</u> | <u>5,889,278</u> | |

Analysis of direct costs

| | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|---------------------------------|---------------------------------------|---------------------------------------|
| Pension interest | 30,000 | 32,000 |
| Staff costs | 3,665,419 | 3,373,035 |
| Educational visits | 61,139 | 48,081 |
| Supply teachers | 173,470 | 160,652 |
| Staff development | 61,524 | 53,394 |
| Educational support | 252,394 | 275,764 |
| Other educational supplies | 42,720 | 83,941 |
| Books, stationery and materials | 65,541 | 51,930 |
| ICT | 68,629 | 122,601 |
| Recruitment | 22,109 | 36,116 |
| Total 2019 | <u>4,442,945</u> | <u>4,237,514</u> |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

8. Analysis of expenditure by activities (continued)

Analysis of support costs

| | Total funds 2019 £ | <i>Total funds 2018 £</i> |
|--|---------------------------------------|---------------------------------------|
| Staff costs | 421,351 | 512,408 |
| Depreciation | 327,004 | 289,338 |
| Administration | 79,773 | 89,124 |
| Premises maintenance | 260,309 | 201,835 |
| School uniforms | 21,982 | 14,378 |
| Cleaning | 54,540 | 57,436 |
| Water rates | 36,083 | 34,152 |
| Light and heat | 84,766 | 78,231 |
| Insurance | 56,641 | 82,077 |
| Transport and travel | 8,678 | 5,799 |
| Catering | 224,716 | 216,695 |
| Professional fees | 3,470 | 2,683 |
| PFI management fee & affordability gap | 36,349 | 35,970 |
| Governance costs | 46,748 | 31,638 |
| Total 2019 | 1,662,410 | 1,651,764 |

9. Net income/(expenditure)

Net income/(expenditure) for the year includes:

| | 2019 £ | <i>2018 £</i> |
|---------------------------------------|-------------------|-------------------|
| Operating lease rentals | 6,715 | 9,139 |
| Depreciation of tangible fixed assets | 327,004 | 289,338 |
| Fees paid to auditors for: | | |
| - audit | 7,500 | 7,500 |
| - other services | 6,500 | 6,200 |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

10. Staff costs

a. Staff costs

Staff costs during the year were as follows:

| | 2019 £ | 2018 £ |
|---------------------------|------------------|------------------|
| Wages and salaries | 3,181,989 | 3,009,099 |
| Social security costs | 272,088 | 245,407 |
| Pension costs | 630,693 | 630,937 |
| | <u>4,084,770</u> | <u>3,885,443</u> |
| Agency staff costs | 173,470 | 160,652 |
| Staff restructuring costs | 2,000 | - |
| | <u>4,260,240</u> | <u>4,046,095</u> |

Staff restructuring costs comprise:

| | 2019 £ | 2018 £ |
|--------------------|--------------|-----------|
| Severance payments | 2,000 | - |
| | <u>2,000</u> | <u>-</u> |

b. Non-statutory/non-contractual staff severance payments

Included in staff restructuring costs is one non-statutory/non-contractual severance payment of **£2,000** (2018: £nil).

c. Staff numbers

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

| | 2019 No. | 2018 No. |
|--------------------------|-------------|-------------|
| Teachers | 60 | 68 |
| Support & Administration | 90 | 103 |
| Management | 2 | 3 |
| | <u>152</u> | <u>174</u> |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

10. Staff costs (continued)

d. Higher paid staff

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

| | 2019 | <i>2018</i> |
|--------------------------------|-------------|-------------|
| | No. | <i>No.</i> |
| In the band £90,001 - £100,000 | <u>1</u> | <u>1</u> |

e. Key management personnel

The key management personnel are considered to be two Trust executive officers. The total amount of remuneration (including employer pension contributions and employer national insurance contributions) for key management personnel for their service to the Trust was **£194,684** (2018: £248,760).

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

11. Central Services

With effect from the current year, the GAG income for each academy is now pooled. A robust appeals mechanism is in place in accordance with the Academies Financial Handbook, should a constituent academy's Headteacher believe that their academy has been unfairly treated. The pooled GAG fund enabled the Trust to provide the following central services to its academies during the year:

- Financial Services
- Human Resources
- ICT Services
- Operations and Estate Management
- Buildings Services and Utilities
- Procurement Support
- Health and Safety Support
- Data Protection Management Support Service
- Quality Assurance
- School Improvement
- Performance and Data Support
- Teaching and Learning Support
- Governance
- Payroll
- SEN Support
- Critical Incident Support
- Educational Visits support
- Legal Support

The Trust pays for the above services from pooled GAG, except where noted below:

Academies with Nurseries (Heartsease Primary Academy and Lingwood Primary Academy) were charged 10% of their total Nursery related income. This amounted to £24,536 at Heartsease Primary Academy and £8,340 at Lingwood Primary Academy. Each nursery was also charged an additional £12,000 towards room rent.

Heartsease Primary Academy's "Specialist Resource Base" was allocated 100% of the Academy's "pre-16 high needs place funding", from which the Trust charged 10% (£10,000) towards central services. The SRB was also charged an additional £12,000 towards room rent. In addition, Heartsease Primary Academy was charged an additional £9,230 for premises support and utilities in respect of its swimming pool.

The Trust provided a further additional service of Pastoral Support amounting to £19,245 for the year, which was recharged to the academies based on the number of pupil premium pupils for which each academy received its pupil premium grant. The academies funded this charge from their pupil premium grants.

Continued...

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

The total charges to individual academies were therefore as follows:

| | 2019 £ | 2018 £ |
|---------------------------------|----------------|----------------|
| Heartsease Primary Academy | 75,352 | 266,574 |
| Henderson Green Primary Academy | 3,849 | 89,644 |
| Lingwood Primary Academy | 22,265 | 82,978 |
| Valley Primary Academy | 5,389 | 89,994 |
| | 106,855 | 529,190 |

12. Trustees' remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Trust. The principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment. The value of Trustees' remuneration and other benefits was as follows:

| | | 2019 £ | 2018 £ |
|---|----------------------------|---------------------|--------------------|
| C Kenna (CEO and Accounting Officer) | Remuneration | 95,000 - 100,000 | 90,000 - 95,000 |
| | Pension contributions paid | 15,000 - 20,000 | 15,000 - 20,000 |
| S Porter (Staff Trustee until 25 November 2017) | Remuneration | | 10,000 - 15,000 |
| | Pension contributions paid | | 0 - 5,000 |

During the year ended 31 August 2019, expenses totalling £3,154 were reimbursed or paid directly to 3 Trustees (2018: £712 to 2 Trustees).

13. Trustees' and Officers' insurance

The Trust has opted into the Department of 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 membership.

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

14. Tangible fixed assets

| | Long-term leasehold property £ | Furniture and equipment £ | Computer equipment £ | Motor vehicles £ | Total £ |
|--------------------------|---|------------------------------------|----------------------------|------------------------|--------------------------|
| Cost or valuation | | | | | |
| At 1 September 2018 | 10,939,422 | 306,623 | 203,274 | 51,000 | 11,500,319 |
| Additions | 792,974 | 44,323 | 149,964 | - | 987,261 |
| Disposals | - | - | (3,500) | - | (3,500) |
| At 31 August 2019 | <u>11,732,396</u> | <u>350,946</u> | <u>349,738</u> | <u>51,000</u> | <u>12,484,080</u> |
| Depreciation | | | | | |
| At 1 September 2018 | 496,650 | 217,187 | 170,095 | 10,200 | 894,132 |
| Charge for the year | 184,198 | 61,198 | 71,408 | 10,200 | 327,004 |
| On disposals | - | - | (1,167) | - | (1,167) |
| At 31 August 2019 | <u>680,848</u> | <u>278,385</u> | <u>240,336</u> | <u>20,400</u> | <u>1,219,969</u> |
| Net book value | | | | | |
| At 31 August 2019 | <u><u>11,051,548</u></u> | <u><u>72,561</u></u> | <u><u>109,402</u></u> | <u><u>30,600</u></u> | <u><u>11,264,111</u></u> |
| At 31 August 2018 | <u><u>10,442,772</u></u> | <u><u>89,436</u></u> | <u><u>33,179</u></u> | <u><u>40,800</u></u> | <u><u>10,606,187</u></u> |

15. Stocks

| | 2019 £ | 2018 £ |
|----------|----------------------|----------------------|
| Uniforms | <u><u>12,100</u></u> | <u><u>13,498</u></u> |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

16. Debtors

| | 2019 £ | 2018 £ |
|--------------------------------|----------------|----------------|
| Due within one year | | |
| Trade debtors | 9,299 | 6,597 |
| Other debtors | 446 | 1,088 |
| Prepayments and accrued income | 354,654 | 325,881 |
| VAT recoverable | 75,789 | 64,633 |
| | 440,188 | 398,199 |
| | 440,188 | 398,199 |

17. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 287,483 | 221,384 |
| Other taxation and social security | 57,567 | 59,667 |
| Other creditors | 3,486 | 56,079 |
| Accruals and deferred income | 132,178 | 94,066 |
| | 480,714 | 431,196 |
| | 480,714 | 431,196 |

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Deferred income at 1 September 2018 | 73,740 | 124,473 |
| Resources deferred during the year | 74,398 | 73,740 |
| Amounts released from previous periods | (73,740) | (124,473) |
| | 74,398 | 73,740 |
| | 74,398 | 73,740 |

Deferred income comprises Universal Infant Free School Meals and Rates grants.

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

18. Statement of funds

| | Balance at 1 September 2018 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2019 £ |
|---|--|------------------|--------------------|--------------------------|-------------------------|--------------------------------------|
| Unrestricted funds | | | | | | |
| General Funds | 1,848,021 | 308,644 | - | - | - | 2,156,665 |
| Restricted general funds | | | | | | |
| General Annual Grant (GAG) | 844,172 | 4,300,032 | (4,368,792) | (479,446) | - | 295,966 |
| Other DfE/ESFA grants | 92,087 | 172,674 | (180,485) | (37,145) | - | 47,131 |
| Pupil Premium | - | 457,340 | (457,340) | - | - | - |
| PE and Sport Premium | 24,328 | 71,870 | (71,555) | (2,385) | - | 22,258 |
| SEN cluster funding | - | 62,099 | (62,099) | - | - | - |
| Other grants | - | 365,734 | (289,747) | (15,084) | - | 60,903 |
| Pension reserve | (1,015,000) | - | (346,000) | 223,000 | (877,000) | (2,015,000) |
| | (54,413) | 5,429,749 | (5,776,018) | (311,060) | (877,000) | (1,588,742) |
| Restricted fixed asset funds | | | | | | |
| Fixed assets on conversion | 10,485,938 | - | (220,465) | - | - | 10,265,473 |
| Capital additions from GAG | 37,512 | - | (66,202) | 256,446 | - | 227,756 |
| Capital additions from Pupil Premium | 54,418 | - | (14,739) | - | - | 39,679 |
| Capital additions from PE and Sport Premium | 5,745 | - | (3,948) | 2,385 | - | 4,182 |
| Capital additions from Early Years grants | - | - | (3,017) | 15,084 | - | 12,067 |
| Capital additions from donations | - | 30,493 | (7,007) | - | - | 23,486 |

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(A Company Limited by Guarantee)

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

18. Statement of funds (continued)

| | Balance at 1 September 2018 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2019 £ |
|-----------------------------------|--|-------------------------|---------------------------|--------------------------|-------------------------|--------------------------------------|
| Condition Improvement Fund | 616,789 | 582,322 | (13,959) | - | - | 1,185,152 |
| Devolved Formula Capital | - | 70,135 | - | 37,145 | - | 107,280 |
| | <u>11,200,402</u> | <u>682,950</u> | <u>(329,337)</u> | <u>311,060</u> | <u>-</u> | <u>11,865,075</u> |
| Total Restricted funds | <u>11,145,989</u> | <u>6,112,699</u> | <u>(6,105,355)</u> | <u>-</u> | <u>(877,000)</u> | <u>10,276,333</u> |
| Total funds | <u><u>12,994,010</u></u> | <u><u>6,421,343</u></u> | <u><u>(6,105,355)</u></u> | <u><u>-</u></u> | <u><u>(877,000)</u></u> | <u><u>12,432,998</u></u> |

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

The General Annual Grant (GAG) represents core funding for the educational activities of the 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: £223,000 to the pension reserve in respect of employer contributions to the Local Government Pension Scheme and £256,446 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 and donations. Depreciation charged on those tangible assets is allocated to the fund.

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2019.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

18. Statement of funds (continued)

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Heartsease Primary Academy | 413,650 | 774,771 |
| Lingwood Primary Academy | 216,163 | 218,318 |
| Valley Primary Academy | 239,686 | 358,629 |
| Henderson Green Primary Academy | 188,283 | 309,050 |
| Central Services | 1,525,141 | 1,147,840 |
| | <hr/> | <hr/> |
| Total before fixed asset funds and pension reserve | 2,582,923 | 2,808,608 |
| Restricted fixed asset fund | 11,865,075 | 11,200,402 |
| Pension reserve | (2,015,000) | (1,015,000) |
| | <hr/> | <hr/> |
| Total | 12,432,998 | 12,994,010 |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

18. Statement of funds (continued)

Total cost analysis by academy

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 2019 £ | <i>Total 2018 £</i> |
|---------------------------------|---|--|---------------------------------------|---|-----------------------------|-----------------------------|
| Heartsease Primary Academy | 1,565,464 | 42,806 | 145,421 | 426,455 | 2,180,146 | 2,187,085 |
| Lingwood Primary Academy | 501,052 | 31,415 | 62,553 | 56,449 | 651,469 | 675,825 |
| Valley Primary Academy | 616,725 | 50,413 | 114,275 | 65,971 | 847,384 | 848,814 |
| Henderson Green Primary Academy | 592,427 | 30,173 | 77,228 | 83,380 | 783,208 | 728,951 |
| Central Services | 563,221 | 266,544 | 22,317 | 464,062 | 1,316,144 | 1,159,265 |
| Trust | 3,838,889 | 421,351 | 421,794 | 1,096,317 | 5,778,351 | 5,599,940 |

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

18. Statement of funds (continued)

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

| | <i>Balance at 1 September 2017</i> | <i>Income</i> | <i>Expenditure</i> | <i>Transfers in/out</i> | <i>Gains/ (Losses)</i> | <i>Balance at 31 August 2018</i> |
|---|--|------------------|--------------------|-----------------------------|----------------------------|--|
| | £ | £ | £ | £ | £ | £ |
| Unrestricted funds | | | | | | |
| General Funds | 1,580,160 | 267,861 | - | - | - | 1,848,021 |
| Restricted general 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 | | | | | | |
| 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 |
| 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> |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

18. Statement of funds (continued)

| | <i>Balance at 1 September 2017</i> | <i>Income</i> | <i>Expenditure</i> | <i>Transfers in/out</i> | <i>Gains/ (Losses)</i> | <i>Balance at 31 August 2018</i> |
|-------------------------------|--|-------------------------|---------------------------|-----------------------------|----------------------------|--|
| | £ | £ | £ | £ | £ | £ |
| Total Restricted funds | <u>10,577,895</u> | <u>6,066,372</u> | <u>(5,889,278)</u> | - | <u>391,000</u> | <u>11,145,989</u> |
| Total funds | <u><u>12,158,055</u></u> | <u><u>6,334,233</u></u> | <u><u>(5,889,278)</u></u> | - | <u><u>391,000</u></u> | <u><u>12,994,010</u></u> |

19. Analysis of net assets between funds

Analysis of net assets between funds - current year

| | Unrestricted funds 2019 | Restricted funds 2019 | Restricted fixed asset funds 2019 | Total funds 2019 |
|--|--|--------------------------------------|--|---------------------------------|
| | £ | £ | £ | £ |
| Tangible fixed assets | - | - | 11,264,111 | 11,264,111 |
| Current assets | 2,156,665 | 906,972 | 600,964 | 3,664,601 |
| Creditors due within one year | - | (480,714) | - | (480,714) |
| Provisions for liabilities and charges | - | (2,015,000) | - | (2,015,000) |
| Total | <u><u>2,156,665</u></u> | <u><u>(1,588,742)</u></u> | <u><u>11,865,075</u></u> | <u><u>12,432,998</u></u> |

Analysis of net assets between funds - prior year

| | <i>Unrestricted funds 2018</i> | <i>Restricted funds 2018</i> | <i>Restricted fixed asset funds 2018</i> | <i>Total funds 2018</i> |
|--|--|--------------------------------------|--|---------------------------------|
| | £ | £ | £ | £ |
| Tangible fixed assets | - | - | 10,606,187 | <i>10,606,187</i> |
| Current assets | 1,848,021 | 1,391,783 | 594,215 | <i>3,834,019</i> |
| Creditors due within one year | - | (431,196) | - | <i>(431,196)</i> |
| Provisions for liabilities and charges | - | (1,015,000) | - | <i>(1,015,000)</i> |
| Total | <u><u>1,848,021</u></u> | <u><u>(54,413)</u></u> | <u><u>11,200,402</u></u> | <u><u><i>12,994,010</i></u></u> |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

20. Reconciliation of net income to net cash flow from operating activities

| | 2019 £ | 2018 £ |
|--|------------------|-----------|
| Net income for the year (as per Statement of Financial Activities) | 315,988 | 444,955 |
| Adjustments for: | | |
| Depreciation | 327,004 | 289,338 |
| Capital grants from DfE and other capital income | (582,322) | (423,380) |
| Interest receivable | (12,072) | (5,380) |
| Defined benefit pension scheme cost less contributions payable | 93,000 | 186,000 |
| Defined benefit pension scheme finance cost | 30,000 | 32,000 |
| Decrease in stocks | 1,398 | 1,513 |
| Increase in debtors | (36,663) | (113,060) |
| Increase in creditors | 41,215 | 6,281 |
| Loss on disposal of fixed assets | 2,332 | - |
| Net cash provided by operating activities | 179,880 | 418,267 |

21. Cash flows from investing activities

| | 2019 £ | 2018 £ |
|--|------------------|-----------|
| Dividends, interest and rents from investments | 12,072 | 5,380 |
| Purchase of tangible fixed assets | (978,956) | (152,939) |
| Capital grants from DfE Group | 576,995 | 423,380 |
| Net cash (used in)/provided by investing activities | (389,889) | 275,821 |

22. Analysis of cash and cash equivalents

| | 2019 £ | 2018 £ |
|--|------------------|-----------|
| Cash in hand | 1,717,324 | 1,483,809 |
| Notice deposits (less than 3 months) | 1,494,989 | 1,938,513 |
| Total cash and cash equivalents | 3,212,313 | 3,422,322 |

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

23. Pension commitments

The Trust's employees belong to two principal pension schemes: the Teachers' 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 schemes.

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

A further valuation of the LGPS was underway at the date of signing of these accounts, but the results were not finalised and therefore are not reflected within this note.

Contributions amounting to £Nil were payable to the schemes at 31 August 2019 (2018 - £53,732) and are included within creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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:

- an increase in employer rates from 16.48% to 23.68% of pensionable pay (including a 0.08% employer administration charge), this rise has been delayed from 1 April 2019 to 1 September 2019
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- there will be funding from the DFE for the financial year 2019/20 to help maintained schools and academies meet the additional costs resulting from the scheme valuation. Funding for 2020/21 onwards will be discussed as part of the next Spending Review round.

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

23. Pension commitments (continued)

The TPS valuation for 2016 determined an employer rate of 23.6%, which is payable from September 2019. The next valuation of the TPS will be at March 2020 and will be based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2023.

The employer's pension costs paid to TPS in the year amounted to £317,000 (2018 - £286,000).

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

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The 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 pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £274,000 (2018 - £202,000), of which employer's contributions totalled £223,000 (2018 - £156,000) and employees' contributions totalled £51,000 (2018 - £46,000).

The agreed employer contribution rates for future years are:

Trust

2019/20 15.8%

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

2019/20 21.3%

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

| | 2019 | 2018 |
|--|-------------|-------------|
| | % | % |
| Rate of increase in salaries | 2.6 | 2.6 |
| Rate of increase for pensions in payment/inflation | 2.3 | 2.3 |
| Discount rate for scheme liabilities | 1.9 | 2.8 |

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

23. Pension commitments (continued)

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

| | 2019 | <i>2018</i> |
|-----------------------------|--------------|--------------|
| | Years | <i>Years</i> |
| <i>Retiring today</i> | | |
| Males | 22.1 | <i>22.1</i> |
| Females | 24.4 | <i>24.4</i> |
| <i>Retiring in 20 years</i> | | |
| Males | 24.1 | <i>24.1</i> |
| Females | 26.4 | <i>26.4</i> |

Sensitivity analysis

| | 2019 | <i>2018</i> |
|---------------------|----------------|----------------|
| | £000 | <i>£000</i> |
| Discount rate -0.5% | 627,000 | <i>418,000</i> |
| Salary rate +0.5% | 64,000 | <i>51,000</i> |
| Pension rate +0.5% | 553,000 | <i>363,000</i> |

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

| | At 31 | <i>At 31 August</i> |
|-------------------------------------|------------------|---------------------|
| | August | <i>2018</i> |
| | 2019 | <i>2018</i> |
| | £ | <i>£</i> |
| Equities | 1,071,140 | <i>925,650</i> |
| Corporate bonds | 786,960 | <i>617,100</i> |
| Property | 262,320 | <i>217,800</i> |
| Cash and other liquid assets | 65,580 | <i>54,450</i> |
| Total market value of assets | 2,186,000 | <i>1,815,000</i> |

The actual return on scheme assets was £104,000 (2018 - £100,000).

THE HEART EDUCATION TRUST
(A Company Limited by Guarantee)

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

23. Pension commitments (continued)

The amounts recognised in the Statement of Financial Activities are as follows:

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Current service cost | (316,000) | (342,000) |
| Interest income | 54,000 | 40,000 |
| Interest cost | (84,000) | (72,000) |
| Total amount recognised in the Statement of Financial Activities | (346,000) | (374,000) |

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

| | 2019 £ | 2018 £ |
|--------------------------|------------------|------------------|
| At 1 September | 2,830,000 | 2,711,000 |
| Current service cost | 316,000 | 342,000 |
| Interest cost | 84,000 | 72,000 |
| Employee contributions | 51,000 | 46,000 |
| Actuarial losses/(gains) | 927,000 | (331,000) |
| Benefits paid | (7,000) | (10,000) |
| At 31 August | 4,201,000 | 2,830,000 |

Changes in the fair value of the Trust's share of scheme assets were as follows:

| | 2019 £ | 2018 £ |
|------------------------|------------------|------------------|
| At 1 September | 1,815,000 | 1,523,000 |
| Interest income | 54,000 | 40,000 |
| Actuarial gains | 50,000 | 60,000 |
| Employer contributions | 223,000 | 156,000 |
| Employee contributions | 51,000 | 46,000 |
| Benefits paid | (7,000) | (10,000) |
| At 31 August | 2,186,000 | 1,815,000 |

THE HEART EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

24. Operating lease commitments

At 31 August 2019 the Trust had commitments to make future minimum lease payments under non-cancelable operating leases as follows:

| | 2019 £ | 2018 £ |
|--|--------------|--------------|
| Not later than 1 year | 4,419 | 3,193 |
| Later than 1 year and not later than 5 years | - | 875 |
| | <u>4,419</u> | <u>4,068</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 Trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

During the year the daughter of C Kenna (Chief Executive Officer and Accounting Officer) continued to be 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.

During the year the spouse of M Porter, a Member of the Trust, was employed by the Trust as Head of Quality Assurance. Her appointment was made in open competition and M Porter was not involved in the decision making process regarding his spouse's appointment. The Head of Quality Assurance is paid within the normal pay scale for her role and receives no special treatment as a result of her relationship to M Porter.

27. Agency arrangements

The Trust acts as an agent in respect of Sports Cluster funding. During the year the Trust received income of £5,476, distributed £1,348 to other members, recognised its own share of the funding in the Trust Statement of Financial Activities of £1,500 and recognised its own share of expenditure of £500. At the year end, the Trust held undistributed funding of £3,128 which is included in other creditors.