

Registered number: 08027885 (England and Wales)

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

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HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS MEMBERS, DIRECTORS
AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members

JS Crowther
G Fitzgerald
Dame D Smith
J Steel

Directors

JS Crowther, Chair¹
NJ Blackburn, Executive Head Teacher¹
G Fitzgerald¹
AE Geraghty (resigned 19 October 2016)¹
L Henderson (resigned 1 February 2016)
J Martin¹
J Steel¹
KA Whitmore

¹ Members of the Finance, General Purposes and Personnel Committee

Company registered number

08027885

Company name

Heathfield Academy Trust

Principal and registered office

Suite J-K Lingfield House
Lingfield Point
Darlington
County Durham
DL1 1RW

Senior management team

N Blackburn, CEO/Executive Head Teacher
N Hedworth, Head of School
A Maddison, Head of School
Z Beach, Head Teacher
H Ferguson, Director of Operations
L Bainbridge, Acting Head of School

Independent auditors

Clive Owen LLP
Chartered Accountants & Statutory Auditors
140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS MEMBERS, DIRECTORS
AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Advisers (continued)

Bankers

Lloyds Bank Plc
Northgate
Darlington
Co Durham
DL1 1TL

Solicitors

Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

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

The trust operates three academies for pupils aged 3 to 11 serving catchment areas in Darlington. It has a pupil capacity of 1,050 and had a roll of 1,083 in the school census on 20 May 2016.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the charitable company is the operation of Heathfield Academy Trust to provide education for students of different abilities between the ages of 3 and 11.

In accordance with the articles of association the charitable company has adopted a 'Scheme of Government' approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the academy trust during the year ended 31 August 2016 are summarised below:

- To provide the highest quality education to enable every pupil to realise their full potential.
- Utilising the power of partnership working as a catalyst for ensuring more children receive an excellent education.
- Provide value for money for the funds expended.

Objectives, strategies and activities

The trust's main objectives are encompassed in its vision statement which is of young people supported educationally, socially and practically to achieve their highest potential in school and life. We are determined to become the trust that makes the biggest difference to the whole child, our working colleagues and the local community. Our vision is to do this while remaining true to our ethos and values.

To this end the objectives and the strategies used to achieve them include:

- Strong leadership is the key to success of our schools. We seek to develop excellent leadership skills throughout our organisation.

In pursuit of the above aims, the Executive Head Teacher, Head Teacher and Heads of School draws on its school improvement plan with progress against the plan being reviewed by the LGB.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 3 and 11.

Public benefit

The trust's aims and achievements are set out within this report. The activities set out in this report have been undertaken to further the academy's charitable purposes for the public benefit. The Directors have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission and the Directors have paid due regard to this guidance in deciding what activities the charity should undertake.

HEATHFIELD ACADEMY TRUST
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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Key performance indicators

2016 KS2 TEST RESULTS -PROGRESS AND ATTAINMENT

HEATHFIELD ACADEMY TRUST (Northwood, Hurworth & Heathfield Primary Schools)	READING	WRITING (TA)	MATHS	SPaG	RWM (TEST & TA)
PROGRESS SCORE	1.07	2.55	0.54	N/A	N/A
% ELIGIBLE PUPILS INCLUDED	93	94	94	N/A	N/A
ATTAINMENT					
AVERAGE SCALED SCORE per Pupil	101	N/A	102	103	N/A
NATIONAL AVERAGE SCALED SCORE	103	N/A	103	104	N/A
DIFFERENCE SCHOOL / NATIONAL	-2	N/A	-1	-1	N/A
ATTAINMENT					
% PUPILS ATTAINING EXPECTED STANDARD	53	77	64	67	43
NATIONAL COMPARATOR (ATTAINING EXPECTED STANDARD)	66	74	70	72	53
DIFFERENCE SCHOOL / NATIONAL	-13	3	-6	-5	-10
HIGHER ATTAINMENT					
% PUPILS ACHIEVING HIGH STANDARD / WORKING AT GREATER DEPTH	17	24	16	24	6
NATIONAL COMPARATOR (ATTAINING HIGH STANDARD / WORKING AT GREATER DEPTH)	19	15	17	23	5
DIFFERENCE SCHOOL / NATIONAL	-2	9	-2	1	1
ATTAINMENT BY PRIOR ATTAINMENT GROUPS					
% OF LOW PRIOR ATTAINERS REACHING EXPECTED STANDARD	18	18	14	9	0
% OF LOW PRIOR ATTAINERS REACHING HIGHER STANDARD / WORKING AT GREATER DEPTH	0	0	0	0	0
% OF LOW PRIOR ATTAINERS REACHING HIGHER STANDARD / WORKING AT GREATER DEPTH	49	85	67	70	34
% OF LOW PRIOR ATTAINERS REACHING HIGHER STANDARD / WORKING AT GREATER DEPTH	7	15	5	10	0
% of HIGH PRIOR ATTAINERS REACHING EXPECTED STANDARD	94	100	100	100	94
% OF HIGH PRIOR ATTAINERS REACHING HIGHER STANDARD / WORKING AT GREATER DEPTH	55	67	52	75	30

HEATHFIELD ACADEMY TRUST
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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

FINANCIAL REVIEW

Going concern

After making appropriate enquiries, the Board of Directors has a reasonable expectation that the academy 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.

Principal risks and uncertainties

The principal risks and uncertainties are centred on changes in the level of funding from the DfE/EFA and Local Authorities, specifically related to pupil placements/admissions and the respective level of High Needs Top up funding. In addition the trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the academy balance sheet.

The Directors have assessed the major risks, to which the trust is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the trust, and its finances. The Directors have implemented a number of systems to assess risks that the schools face, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. Where significant financial risk still remains they have ensured they have adequate insurance cover. The trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The trust has fully implemented the requirements of the Safe Recruitment procedures and all staff received training in this area in addition to training on Child Protection.

The trust is subject to a number of risks and uncertainties in common with other trusts. The trust has in place procedures to identify and mitigate financial risks.

Reserves policy

The trust holds restricted and unrestricted funds (the attached financial statements detail these funds).

Unrestricted funds are held:

- to provide funds which can be designated to specific areas such as PE provision.
- to cover ongoing costs in relation to the running of the trust including catering provisions, school trips, and uniform costs.

The level of reserves is reviewed by the Directors regularly throughout the year. The minimum level of reserves for the ongoing needs of the trust is reviewed by the Directors on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Directors therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of 4 weeks worth of expenditure, £270,000.

This is considered sufficient to cover:

- a) wages;
- b) invoices.

The trust's current level of free reserves are in surplus by £581,000 and GAG funds are in surplus by £188,000 and therefore are considered to be above the level of reserves required for the ongoing needs of the trust.

HEATHFIELD ACADEMY TRUST
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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

FINANCIAL REVIEW (continued)

Investment Policy

The trust will operate an interest bearing current account with a bank approved by the Board of Directors (Lloyds Bank) and maintain sufficient balances to ensure there are adequate liquid funds to cover all immediate and forthcoming financial commitments, including maintaining a sufficient contingency for unexpected payments.

Monies surplus to the working requirements shall be invested in term deposits with Lloyds. The trust will not take out any long term investments until reliable cash flow pattern had been established, monies will only be paid into term deposits not exceeding six months.

Principal funding

Most of the trust's income is obtained from the Department for Education (DfE) via the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The trust also receives grants for fixed assets from the DfE/EFA. In accordance with The Charities SORP (FRS102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

In addition the trust receives income from catering for pupils, from other schools that use the trust's staff and lettings.

During the period ended 31 August 2016, total expenditure of £4,966,000 was less than recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for the period (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £344,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the trust's objectives.

At 31 August 2016 the net book value of fixed assets was £8,458,000 and movements in tangible fixed assets are shown in note 14 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the trust.

The provisions of Financial Reporting Standard No. 102 'Retirement Benefits' have been applied in full, resulting in a deficit of £3,277,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2016 of £6,061,000 comprising £5,480,000 of restricted funds and £581,000 of unrestricted funds.

HEATHFIELD ACADEMY TRUST
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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy is a charitable company limited by guarantee and an exempt charity. The charitable company's Memorandum of Association is the primary governing document of the academy trust. The trustees of Heathfield Academy Trust are also the Directors of the charitable company for the purpose of company law.

The charitable company is known as Heathfield Academy Trust.

Details of the Directors who served during the year are included in the Reference and administrative details on page 1.

Members' liability

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

Method of recruitment and appointment or election of Directors

The term of office for any Director shall be 2 years, save that this time limit shall not apply to the Executive Head Teacher or any post held ex officio. Subject to remaining eligible to be a particular type of Director, any Director may be re-appointed or re-elected.

Policies and procedures adopted for the induction and training of Directors

The training and induction provided for new Directors depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Directors are given a tour of the academies and the chance to meet with staff and students. All Directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors. As there are normally only one or two new Directors a year, induction tends to be done informally and is tailored specifically to the individual.

Pay policy for key management personnel

Academy staff are line managed by the Director of Operations and/or CEO. Decisions around pay progression are taken to the Board of Directors for approval. The Chair of Directors with an external consultant sets the performance management objectives for the CEO and after review makes pay recommendations to the full Board. Head Teachers are performance managed by the CEO alongside, Chair of Directors and an external consultant.

Organisational structure

The trust operates a unified management structure. The structure consists of 3 levels: the Directors, the Executive Leadership team and Local Governing Bodies in each of the trust schools. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels in line with a scheme of delegation that is annually reviewed.

HEATHFIELD ACADEMY TRUST
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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Directors' indemnities

The trust has purchased insurance to protect Directors from claims arising against negligent acts, errors or omissions occurring whilst on trust business. Further details are provided in note 12.

PLANS FOR FUTURE PERIODS

Future developments

The trust will continue to work towards delivering the following core characteristics in all of its schools:

- Outstanding teaching and learning.
- A fully inclusive approach where all children are of equal importance.
- Positive relationships.
- High aspirations.
- A wide range of enrichment activities for all to get involved.
- A celebration of all the cultures and faiths represented in the schools.
- A culture of no excuses for underachievement.

The trust plans to grow modestly and has a Free School application pending approval in DFE Wave 12. The trust is also looking to attract two further good or better schools. The trust is not seeking another sponsor project over the next 18-24 months.

DISCLOSURE OF INFORMATION TO AUDITORS

Insofar as the Directors are aware:

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

This report was approved by order of the Board of Directors as the company directors, on 13 December 2016 and signed on its behalf by:

JS Crowther
Chair of Directors



HEATHFIELD ACADEMY TRUST
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GOVERNANCE STATEMENT

Scope of Responsibility

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

The Board of Directors has delegated the day-to-day responsibility to the CEO, 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 Heathfield Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' report and in the Statement of Directors' responsibilities. The Board of Directors has formally met 9 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings attended	Out of a possible
JS Crowther, Chair	9	9
NJ Blackburn, Executive Head Teacher	9	9
G Fitzgerald	7	9
AE Geraghty	7	9
L Henderson	0	4
J Martin	8	9
J Steel	5	9
KA Whitmore	6	9

The Finance, General Purposes and Personnel Committee is a sub-committee of the main Board of Directors. Its purpose is to assist the decision making of the Board of Directors, by enabling more detailed consideration to be given to the best means of fulfilling the Board of Directors' responsibility to ensure sound management of the trust's finances and resources.

To make appropriate comments and recommendations on such matters to the Board of Directors on a regular basis on four key areas:

Finance: To ensure sound financial management of the trust's finances and resources, including proper planning, monitoring and probity in line with the EFA guidelines and the Funding Agreement.

Audit: To undertake any activities as necessary to provide assurance to the Board of Directors on the adequacy and effectiveness of the trust's systems of internal control and its arrangements for risk management, control and governance processes.

Staffing: To review, plan and manage staffing with due regard to financial aspects.

Premises: To ensure sound management of the trust's premises including maintenance, development and health and safety.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
NJ Blackburn, Executive Head Teacher	3	3
JS Crowther	2	3
G Fitzgerald	2	3
AE Geraghty	3	3
J Martin	1	3
J Steel	1	3

HEATHFIELD ACADEMY TRUST
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GOVERNANCE STATEMENT (continued)

Review of Value for money

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

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

Improving Educational Results

To ensure that standards continue to rise Heathfield Academy Trust is focused on further improving the quality of teaching and learning. It tracks individual pupil progress and attainment rigorously, providing targeted interventions to ensure good & better progress for all pupils. A programme of lesson observations and work scrutinies, combined with intensive staff development, is planned to ensure maximum impact on pupil progress.

Financial Governance and Oversight

The Finance, General Purposes and Personnel Committee approve the annual budget forecast of the trust including a review of pupil admissions / forecasts, the medium term financial plan (3 years) and a rolling 12 month cash flow statement to ensure the long term sustainability of the trust and thus that the trust remains a 'going concern'.

On a termly basis the Committee review the budget monitoring reports and updated cash flow forecasts, approve additional expenditure requirements or reductions, and ensure compliance with the trust's procurement regulations.

Following the annual audit, the Committee receives and reviews the financial statements and the external auditor's management report prior to forwarding these to the Board of Directors for approval.

The Board of Directors reviews the work of the Committee prior to ratifying the decisions.

Value for Money and Efficient Use of Resources

The trust strives to focus on value for money and understanding the value of our assets and how they can be used to increase our students' rate of progress. Existing service delivery is proactively challenged and alternative provision is evaluated.

The trust promotes fair competition through quotations and tenders in accordance with its Financial Regulations thus ensuring that goods and service are secured in the most economic, efficient and effective way.

The Director of Operations, reviews all expenditure on behalf of the trust and regularly challenges for improved efficiency and effectiveness. In turn, the Board of Directors reviews the functions of the school, challenging how services are provided and setting targets and performance indicators for improvement.

The trust continuously shares good practice amongst collaborative schools in order to achieve value for money and the most efficient use of resources.

Maximising income generation

The trust explores all opportunities to generate additional income including improving catering arrangements, the introduction of an online payments system, the hire of trust facilities, offering support to other schools and academies and the submission of appropriate grant applications. All surplus monies are actively managed.

HEATHFIELD ACADEMY TRUST
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GOVERNANCE STATEMENT (continued)

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Heathfield Academy Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Directors has reviewed the key risks to which the trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors;
- regular reviews by the finance, general purposes and personnel committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors appointed Clive Owen LLP, the external auditors, to perform additional checks.

The auditors' role includes giving advice on financial matters and performing a range of checks on the trust's financial systems. On a termly basis, the auditors report to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities. In particular the checks carried out in the current period included:

- Testing of payroll systems
- Testing of purchase systems
- Testing of control account/bank reconciliations
- Testing of Financial Procedures Manual
- Testing of accounting systems
- Testing of risk register and reserves policy
- Testing of declaration of Directors interests
- Testing of income recognition
- Testing of IT and data protection compliance
- Testing of fixed asset register, capitalisation, depreciation and insurance
- Testing of VAT procedures
- Testing of Corporation tax

The external auditors have delivered their schedule of work as planned and no material control issues have arisen as a result of their work.

HEATHFIELD ACADEMY TRUST
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GOVERNANCE STATEMENT (continued)

Review of Effectiveness

As Accounting Officer, the CEO 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 auditors;
- the work of the executive managers within the trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Directors on 13 December 2016 and signed on their behalf, by:



JS Crowther
Chair of Trustees



NJ Blackburn
Accounting Officer

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Heathfield Academy Trust I have considered my responsibility to notify the trust Board of Directors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the 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 2015.

I confirm that I and the trust Board of Directors are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the trust's funding agreement and the Academies Financial Handbook 2015.

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 Directors and EFA.



NJ Blackburn
Accounting Officer

13 December 2016

HEATHFIELD ACADEMY TRUST
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STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The Directors (who act as governors of Heathfield Academy Trust and are also the trustees of the charity for the purposes of charity law) are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors 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 Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The Directors 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 Directors on 13 December 2016 and signed on its behalf by:



JS Crowther
Chair of Directors

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEATHFIELD ACADEMY TRUST**

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

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the trust's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

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

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEATHFIELD ACADEMY TRUST**

Matters on which we are required to report by exception

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

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



Kevin Shotton BA FCA (Senior statutory auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants & Statutory Auditors
140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT
13 December 2016

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEATHFIELD ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 14 September 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Heathfield Academy Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Heathfield Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Heathfield Academy Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Heathfield Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Heathfield Academy Trust's Accounting Officer and the reporting accountants

The Accounting Officer is responsible, under the requirements of Heathfield Academy Trust's funding agreement with the Secretary of State for Education dated 1 June 2012, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEATHFIELD
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

Approach (continued)

- Review of Board of Directors and Committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Directors and Accounting Officer setting out responsibilities;
- Obtain formal letters of representation detailing the responsibilities of Directors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

Conclusion

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



Clive Owen LLP

Reporting Accountants
140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

13 December 2016

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

		Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
	Note					
INCOME FROM:						
Donations & capital grants:						
Transfer from Local Authority on conversion	2	476	(362)	4,455	4,569	1,433
Other donations and capital grants	2	-	-	37	37	27
Charitable activities	5	-	4,701	-	4,701	3,316
Other trading activities	3	282	-	-	282	202
Investments	4	1	-	-	1	1
TOTAL INCOME		<u>759</u>	<u>4,339</u>	<u>4,492</u>	<u>9,590</u>	<u>4,979</u>
EXPENDITURE ON:						
Charitable activities		357	4,397	212	4,966	3,584
TOTAL EXPENDITURE	6	<u>357</u>	<u>4,397</u>	<u>212</u>	<u>4,966</u>	<u>3,584</u>
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	18	402	(58)	4,280	4,624	1,395
		<u>-</u>	<u>(157)</u>	<u>157</u>	<u>-</u>	<u>-</u>
NET INCOME / (EXPENDITURE) BEFORE OTHER GAINS AND LOSSES						
		402	(215)	4,437	4,624	1,395
Actuarial gains/(losses) on defined benefit pension schemes	23	-	(1,871)	-	(1,871)	81
NET MOVEMENT IN FUNDS		<u>402</u>	<u>(2,086)</u>	<u>4,437</u>	<u>2,753</u>	<u>1,476</u>
RECONCILIATION OF FUNDS:						
Total funds brought forward		179	(893)	4,022	3,308	1,832
TOTAL FUNDS CARRIED FORWARD		<u>581</u>	<u>(2,979)</u>	<u>8,459</u>	<u>6,061</u>	<u>3,308</u>

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08027885

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£000	2016 £000	2015 £000
FIXED ASSETS				
Tangible assets	14		8,458	4,018
CURRENT ASSETS				
Stocks	15	3	3	
Debtors	16	197	121	
Cash at bank and in hand		1,408	583	
		<u>1,608</u>	<u>707</u>	
CREDITORS: amounts falling due within one year	17	(728)	(439)	
NET CURRENT ASSETS			880	268
TOTAL ASSETS LESS CURRENT LIABILITIES			9,338	4,286
Defined benefit pension scheme liability	23	(3,277)	(978)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>6,061</u>	<u>3,308</u>
FUNDS OF THE ACADEMY				
Restricted funds:				
Restricted funds	18	298	85	
Restricted fixed asset funds	18	8,459	4,022	
Restricted funds excluding pension liability		8,757	4,107	
Pension reserve		(3,277)	(978)	
Total restricted funds			5,480	3,129
Unrestricted funds	18		581	179
TOTAL FUNDS			<u>6,061</u>	<u>3,308</u>

The financial statements were approved by the Directors, and authorised for issue, on 13 December 2016 and are signed on their behalf, by:

JS Crowther
Chair of Directors



The notes on pages 22 to 43 form part of these financial statements.

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash provided by operating activities	20	509	386
Cash flows from investing activities:			
Dividends, interest and rents from investments		1	1
Purchase of tangible fixed assets		(197)	(116)
Capital grants from DfE/EFA		37	16
Cash inherited		475	99
Net cash provided by investing activities		316	-
Change in cash and cash equivalents in the year		825	386
Cash and cash equivalents brought forward		583	197
Cash and cash equivalents carried forward		1,408	583

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Heathfield Academy Trust constitutes a public benefit entity as defined by FRS 102.

1.2 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 Directors.

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

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

1.3 INCOME

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

Grants are included in the Statement of financial activities incorporating income and expenditure account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

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

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

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

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

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.4 EXPENDITURE

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

Charitable activities 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.

1.5 GOING CONCERN

The Directors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £1,000 are capitalised.

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

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

Long-term leasehold property	-	50 years
Fixtures and fittings	-	7 years
Computer equipment	-	3 years
Long-term Leasehold Land	-	125 years

1.7 OPERATING LEASES

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

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.8 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 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 Bank.

1.10 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 Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.11 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.

1.12 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.

1.13 LIABILITIES AND PROVISIONS

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

1.14 FINANCIAL INSTRUMENTS

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

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.15 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 and the assets are held separately from those of the trust.

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. As stated in note 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.16 GIFTS ON TRANSFER

The conversion of Northwood Primary School to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred from Northwood Primary School to the trust have been valued at their fair value, being a reasonable estimate of the current market value that the Directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Heathfield Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 22.

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.17 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £212,000.

Land and buildings - Land and buildings are held under a 125 year lease from Darlington Borough Council. These assets are included on the balance sheet of the trust due to the significant risks and rewards of ownership belonging to the trust, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the trust could use them without major modification.

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Transfer from Local Authority on conversion	476	(362)	4,455	4,569	1,433
Donations	-	-	-	-	11
Capital Grants	-	-	37	37	16
Subtotal	-	-	37	37	27
Total donations and capital grants	476	(362)	4,492	4,606	1,460

In 2015, of the total income from donations and capital grants, £76,000 was to unrestricted funds and £1,384,000 was to restricted funds

The transfer from Local Authority on conversion includes the assets transferred at fair value when Northwood Primary School joined the trust and the school fund balance.

3. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Sundry income	84	84	40
Lettings	24	24	28
School trips	34	34	47
Staff absence insurance	47	47	21
Catering	93	93	66
	282	282	202

In 2015, of the total income from other trading activities, £202,000 was to unrestricted funds and £ NIL was to restricted funds.

4. INVESTMENT INCOME

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Interest received	1	-	1	1

In 2015, of the total investment income, £1,000 was to unrestricted funds and £ NIL was to restricted funds.

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
DfE/EFA grants				
General Annual Grant (GAG)	-	3,508	3,508	2,600
Pupil Premium	-	327	327	216
PE Teacher Grant	-	21	21	19
Other DfE/EFA grants	-	310	310	103
	<u>-</u>	<u>4,166</u>	<u>4,166</u>	<u>2,938</u>
Other government grants				
SEN	-	63	63	13
Other Government grants	-	451	451	358
	<u>-</u>	<u>514</u>	<u>514</u>	<u>371</u>
Other funding				
Other grants	-	21	21	7
	<u>-</u>	<u>21</u>	<u>21</u>	<u>7</u>
	<u>-</u>	<u>4,701</u>	<u>4,701</u>	<u>3,316</u>

In 2015, of the total income from charitable activities, £ NIL was to unrestricted funds and £3,316,000 was to restricted funds.

6. EXPENDITURE

	Staff costs 2016 £000	Premises 2016 £000	Other costs 2016 £000	Total 2016 £000	Total 2015 £000
Academy's educational operations:					
Direct costs	3,149	-	265	3,414	2,449
Support costs	499	492	561	1,552	1,135
	<u>3,648</u>	<u>492</u>	<u>826</u>	<u>4,966</u>	<u>3,584</u>

In 2016, of the total expenditure, £357,000 (2015 - £133,000) was to unrestricted funds and £4,609,000 (2015 - £3,451,000) was to restricted funds.

There were no individual transactions over £5,000 for:

- Gifts made by the trust
- Unrecoverable debts
- Fixed asset losses
- Compensation payments
- Stock losses
- Cash losses

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

7. CHARITABLE ACTIVITIES

	2016 £000	2015 £000
DIRECT COSTS		
Wages and salaries	2,564	1,838
National insurance	199	128
Pension cost	386	246
Educational supplies	79	54
Examination fees	2	2
Staff development	60	18
Travel and subsistence	10	10
Other direct costs	114	137
	<hr/> 3,414	<hr/> 2,433
SUPPORT COSTS		
Wages and salaries	405	271
National insurance	20	12
Pension costs	74	47
Depreciation	212	187
Net interest cost on pension scheme	42	35
Technology costs	86	58
Recruitment and support	9	7
Maintenance of premises and equipment	98	54
Cleaning	57	51
Rates	27	20
Energy	76	37
Insurance	21	34
Security	1	1
Catering	119	96
Occupancy costs	30	25
Bank interest and charges	1	-
Other support costs	226	188
Governance costs	48	28
	<hr/> 1,552	<hr/> 1,151
	<hr/>	<hr/>
	<hr/> 4,966	<hr/> 3,584
	<hr/> <hr/>	<hr/> <hr/>

8. NET FINANCE COST ON PENSION SCHEME

	2016 £000	2015 £000
Expected return on pension scheme assets	76	61
Interest on pension scheme liabilities	(118)	(96)
	<hr/> (42)	<hr/> (35)
	<hr/> <hr/>	<hr/> <hr/>

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

9. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the charity	212	187
Auditors' remuneration	6	5
Internal audit costs	-	2
Auditors' remuneration- non audit	3	4
Operating lease rentals	6	6
	<u> </u>	<u> </u>

10. CENTRAL SERVICES

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

- Chief Executive Officer
- Director of Operations
- School Business managers
- Legal services
- Audit services
- Service level agreements: HR, Finance, Governance, Payroll, Catering management, education psychology, leadership and H&S support

The trust charges for these services on the following basis:

Pupil numbers

The actual amounts charged during the year were as follows:

	2016 £000	2015 £000
Heathfield Primary School	191	250
Hurworth Primary School	84	107
Northwood Primary School	84	-
	<u> </u>	<u> </u>
Total	<u>359</u>	<u>357</u>

HEATHFIELD ACADEMY TRUST
(A company limited by guarantee)

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

11. STAFF COSTS

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	2,801	2,017
Social security costs	219	140
Operating costs of defined benefit pension schemes	460	293
	<hr/>	<hr/>
	3,480	2,450
Supply teacher costs	128	83
Staff restructuring costs	40	9
	<hr/>	<hr/>
	3,648	2,542
	<hr/> <hr/>	<hr/> <hr/>

Included within Operating costs of defined benefit pension schemes are debits of £24,000 relating to the pension deficit actuarial adjustment and £5,000 relating to benefits paid.

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £40,000 (2015: £9,000). Individually the payments were £30,000 and £10,000.

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

	2016 No.	2015 No.
Teachers	38	34
Administration and support	30	20
Teaching support	57	29
Management	8	5
	<hr/>	<hr/>
	133	88
	<hr/> <hr/>	<hr/> <hr/>

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

	2016 No.	2015 No.
In the band £60,001 - £70,000	1	1
In the band £100,001 - £110,000	0	1
In the band £120,001 - £130,000	1	0

The key management personnel of the trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the trust was £384,000 (2015: £320,000). The increase during the year is due to the additional school in the Trust.

12. DIRECTORS' AND OFFICERS' INSURANCE

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

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

13. DIRECTORS' REMUNERATION AND EXPENSES

One or more Directors has been paid remuneration or has received other benefits from an employment with the trust. The Executive Head Teacher and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Directors. The value of Directors' remuneration and other benefits was as follows:

		2016 £000	2015 £000
N J Blackburn	Remuneration	120-125	105-110
	Pension contributions paid	15-20	15-20

During the year, no Directors received any benefits in kind (2015 - £NIL).

During the year, no Directors received any reimbursement of expenses (2015 - £NIL).

14. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST				
At 1 September 2015	3,989	159	294	4,442
Additions	4,459	22	171	4,652
At 31 August 2016	8,448	181	465	9,094
DEPRECIATION				
At 1 September 2015	197	26	201	424
Charge for the year	123	23	66	212
At 31 August 2016	320	49	267	636
NET BOOK VALUE				
At 31 August 2016	8,128	132	198	8,458
At 31 August 2015	3,792	133	93	4,018

15. STOCKS

	2016 £000	2015 £000
Finished goods and goods for resale	3	3

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16. DEBTORS

	2016 £000	2015 £000
Trade debtors	21	4
VAT recoverable	44	27
Prepayments and accrued income	132	90
	<u>197</u>	<u>121</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade creditors	138	92
Other taxation and social security	74	42
Other creditors	86	43
Accruals and deferred income	430	262
	<u>728</u>	<u>439</u>

DEFERRED INCOME

	2016 £000	2015 £000
Deferred income at 1 September 2015	240	101
Resources deferred during the year	269	240
Amounts released from previous years	(240)	(101)
Deferred income at 31 August 2016	<u>269</u>	<u>240</u>

At the balance sheet date the trust holds funding received in advance in respect of Low Incidence Needs, Resource Based Funding, Rates Relief, Nursery Funding and Universal Infant Free School Meals Funding.

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**NOTES TO THE FINANCIAL STATEMENTS
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18. STATEMENT OF FUNDS

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
UNRESTRICTED FUNDS						
General Funds	179	759	(357)	-	-	581
RESTRICTED FUNDS						
General Annual Grant (GAG)	85	3,508	(3,248)	(157)	-	188
Pupil Premium	-	327	(327)	-	-	-
PE Teacher grant	-	21	(21)	-	-	-
Academy Conversion grant	-	25	(25)	-	-	-
Northwood sponsorship grant	-	73	(73)	-	-	-
Corporation Road sponsorship	-	110	-	-	-	110
Other EFA/DfE grants	-	102	(102)	-	-	-
SEN	-	63	(63)	-	-	-
Other government grants	-	451	(451)	-	-	-
Other grants	-	21	(21)	-	-	-
Pension reserve	(978)	(362)	(66)	-	(1,871)	(3,277)
	(893)	4,339	(4,397)	(157)	(1,871)	(2,979)
RESTRICTED FIXED ASSET FUNDS						
Transfer from Local Authority	2,480	4,455	(102)	-	-	6,833
Devolved Formula Capital	18	37	(6)	-	-	49
Transfer from General Annual Grant (GAG)	135	-	(69)	157	-	223
Gift on transfer	1,389	-	(35)	-	-	1,354
	4,022	4,492	(212)	157	-	8,459
Total restricted funds	3,129	8,831	(4,609)	-	(1,871)	5,480
Total of funds	3,308	9,590	(4,966)	-	(1,871)	6,061

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

The General Annual Grant (GAG) must be used for the normal running costs of the academies.

Other DfE/EFA grants include Universal Infant Free School Meals income.

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

18. STATEMENT OF FUNDS (continued)

Pupil Premium is additional funding to be spent as the academies see fit to support deprived students.

PE Teacher Grant must be spent on PE and sports curriculum costs.

Other government grants include nursery funding, Low Incidence Needs and ILS transfers to be used for the costs of the nursery and special needs.

Other grants include the nursery milk grant, NQT funding, apprentice grant and British council grant.

The deficit on the restricted funds is attributable to the LGPS deficit alone.

The costs and income associated with the defined benefit pension scheme have been recorded in the restricted fund. Staff costs are paid from this fund, including contributions to LGPS, and the pension liability has therefore been aligned with these funds.

Unrestricted funds can be used for any purpose at the discretion of the trust.

Transfers from GAG have been made to fund the purchase of capital assets.

Academy Conversion Grant is to be used to cover costs of the initial conversion to an academy for each school.

Sponsorship grants are to be used to cover increased costs within the MAT relating to sponsorship of academies both during the year and after the year end

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

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £000	Total 2015 £000
Heathfield Primary School	161	138
Hurworth Primary School	117	126
Northwood Primary School	479	-
Central services	122	-
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	879	264
Restricted fixed asset fund	8,459	4,022
Pension reserve	(3,277)	(978)
	<hr/>	<hr/>
Total	<u>6,061</u>	<u>3,308</u>

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

18. STATEMENT OF FUNDS (continued)

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2016 £000	Total 2015 £000
Heathfield Primary School	1,406	183	67	369	2,025	1,916
Hurworth Primary School	711	134	34	298	1,177	1,092
Northwood Primary School	839	117	35	137	1,128	-
Central Services	154	104	-	166	424	357
	<u>3,110</u>	<u>538</u>	<u>136</u>	<u>970</u>	<u>4,754</u>	<u>3,365</u>

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	-	-	8,458	8,458	4,018
Current assets	581	1,026	1	1,608	707
Creditors due within one year	-	(728)	-	(728)	(439)
Provisions for liabilities and charges	-	(3,277)	-	(3,277)	(978)
	<u>581</u>	<u>(2,979)</u>	<u>8,459</u>	<u>6,061</u>	<u>3,308</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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**20. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW
FROM OPERATING ACTIVITIES**

	2016 £000	2015 £000
Net income for the year (as per Statement of financial activities)	4,624	1,395
Adjustment for:		
Depreciation charges	212	187
Dividends, interest and rents from investments	(1)	(1)
Increase in debtors	(76)	(2)
Increase in creditors	289	209
Capital grants from DfE and other capital income	(37)	(16)
Defined benefit pension scheme obligation inherited	362	-
Defined benefit pension scheme cost less contributions payable	24	12
Defined benefit pension scheme finance cost	42	35
Assets inherited on conversion	-	(193)
Assets gifted	(4,455)	(1,452)
Cash inherited	(475)	(99)
Pension on transfer	-	311
Net cash provided by operating activities	<u>509</u>	<u>386</u>

21. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash in hand	1,408	583
Total	<u>1,408</u>	<u>583</u>

22. CONVERSION TO AN ACADEMY TRUST

On 1 February 2016 Northwood Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Heathfield Academy Trust from Darlington Borough Council for £NIL consideration.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
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22. CONVERSION TO AN ACADEMY TRUST (continued)

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Freehold/leasehold land and buildings	-	-	4,455	4,455
Budget surplus/(deficit) on other school funds	476	-	-	476
LGPS pension surplus/(deficit)	-	(362)	-	(362)
Net assets/(liabilities)	<u>476</u>	<u>(362)</u>	<u>4,455</u>	<u>4,569</u>

The above net assets include £476,000 that were transferred as cash.

23. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £86,000 were payable to the schemes at 31 August 2016 (2015 - £36,000) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

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

23. PENSION COMMITMENTS (continued)

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

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

The employer's pension costs paid to TPS in the period amounted to £268,000 (2015 - £178,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £216,000 (2015 - £138,000), of which employer's contributions totalled £163,000 (2015 - £103,000) and employees' contributions totalled £53,000 (2015 - £35,000). The agreed contribution rates for future years are 14.2% for employers and 5.5%-12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.80 %
Rate of increase in salaries	3.40 %	3.50 %
Rate of increase for pensions in payment / inflation	1.90 %	2.00 %
Inflation assumption (CPI)	1.90 %	2.00 %
Commutation of pensions to lump sums	80.00 %	80.00 %

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**NOTES TO THE FINANCIAL STATEMENTS
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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:

	2016	2015
Retiring today		
Males	22.7	22.6
Females	25.2	25.1
Retiring in 20 years		
Males	24.9	24.8
Females	27.5	27.4

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities	1,152	830
Property	211	103
Government bonds	854	479
Corporate bonds	224	151
Cash	195	129
Total market value of assets	<u>2,636</u>	<u>1,692</u>

The actual return on scheme assets was £376,000 (2015 - £(1,000)).

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(187)	(115)
Net interest cost	(42)	(35)
Total	<u>(229)</u>	<u>(150)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

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

	2016 £000	2015 £000
Opening defined benefit obligation	2,670	1,795
Current service cost	187	115
Interest cost	118	96
Contributions by employees	53	35
Actuarial losses/(gains)	2,171	(143)
Liabilities assumed in a business combination	800	-
Transferred on joining the trust	-	813
Benefits paid out	(86)	(41)
	<hr/>	<hr/>
Closing defined benefit obligation	5,913	2,670
	<hr/>	<hr/>

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

	2016 £000	2015 £000
Opening fair value of scheme assets	1,692	1,094
Interest income	76	61
Actuarial gains and (losses)	300	(62)
Contributions by employer	163	103
Contributions by employees	53	35
Assets acquired in a business combination	438	-
Transferred on joining the trust	-	502
Benefits paid	(86)	(41)
	<hr/>	<hr/>
Closing fair value of scheme assets	2,636	1,692
	<hr/>	<hr/>

24. OPERATING LEASE COMMITMENTS

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

	2016 £000	2015 £000
AMOUNTS PAYABLE:		
Within 1 year	16	5
Between 1 and 2 years	17	7
Between 2 and 5 years	37	4
	<hr/>	<hr/>
Total	70	16
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTY TRANSACTIONS

Owing to the nature of the trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures.

During the year procurement of educational consultancy services of £NIL (2015: £7,000) were purchased from John Steel Education Consultancy, a business in which J Steel is the owner. As at 31 August 2016 £NIL (2015: £NIL) was owed to John Steel Education Consultancy.

During the year procurement of counselling services of £NIL (2015: £11,000) were purchased from NE Wellbeing Trust, a company in which J Steel and N J Blackburn are directors. As at 31 August 2016 £NIL (2015: £1,000) was owed to NE Wellbeing Trust. During the year sales were made to NE Wellbeing Trust of £24,000 (2015: £3,000). As at 31 August 2016 £1,000 (2015: £NIL) was owed from NE Wellbeing Trust.

During the year sales were made to St George Church of England Academy of £NIL (2015: £3,000), an academy in which J S Crowther is a Governor. As at 31 August 2016 £NIL (2015: £1,000) was owed to Heathfield Academy Trust.

In entering into the transactions the trust has complied with the requirements of EFA's Academies Financial Handbook.

26. MEMBERS' LIABILITY

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

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

27. FIRST TIME ADOPTION OF FRS 102

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

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

RECONCILIATION OF TOTAL FUNDS	Notes	1 September 2014 £000	31 August 2015 £000
Total funds under previous UK GAAP		1,832	3,308
Total funds reported under FRS 102		<u>1,832</u>	<u>3,308</u>

Reconciliation of net income	Notes	31 August 2015 £000
Net income previously reported under UK GAAP		1,427
Change in recognition of LGPS interest cost	A	(32)
Actuarial gains/(losses) brought above the line	B	81
Net movement in funds reported under FRS 102		<u>1,476</u>

Explanation of changes to previously reported funds and net income/expenditure:

A Change in recognition of LGPS interest cost
Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS102 a net interest expense, based on the net defined benefit liability is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £32,000 and to increase the credit in other recognised gains and losses in the SoFA by an equivalent amount.

B Actuarial gains brought above the line

Under SORP 2005 actuarial gains and losses did not form part of the net expenditure for the year. Under SORP (FRS102) these gains form part of the net movements in funds for the year.