

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR

31 AUGUST 2019



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

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, TRUSTEES AND ADVISORS

Members	S Smith Rev S Banks Rev R Chamberlain D Brill
Trustees	N Taylor D Brill (Chair) Rev S Banks R Warrack P Shaw C Ward Lewis appointed 12 th September 2018 P Lavender resigned 12 th September 2018
Company Secretary	H King
Accounting Officer	N Taylor
Head Teacher	
Austrey Church of England Primary School	L Kilkenny
Newton Regis Church of England Primary School	L Kilkenny
Warton Nethersole's Church of England Primary School	S Bostock
Woodside Church of England Primary School	A Simpson
Principal Addresses	Austrey Church of England Primary School St Nicholas Close Atherstone Warwickshire CV9 3EQ Newton Regis Church of England Primary School Austrey Lane Tamworth Staffordshire B79 0NL Warton Nethersole's Church of England Primary Maypole Road Tamworth Staffordshire B79 0HP Woodside Church of England Primary School Maypole Lane Grendon Atherstone CV9 2BS
Registered Office	UHY Hacker Young (Birmingham) LLP 9 - 11 Vittoria Street Birmingham B1 3ND
Company Registration Number	8627834
Independent Auditor	UHY Hacker Young (Birmingham) LLP 9-11 Vittoria Street Birmingham B1 3ND

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2019.

The company was formed on 29 July 2013 and the multi academy trust commenced on 1 September 2013. The trust operates 4 primary schools for pupils aged 4 to 11 serving the catchment areas of Atherstone, Warton, Austrey and Newton Regis. The multi academy trust has a pupil capacity for all four schools of 664 and had a roll of 528 (Austrey 84, Newton Regis 79 (including nursery), Warton Nethersole's 158 and Woodside 207) in the school census on 1 October 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT**Constitution**

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

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

Members' Liability

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

Trustees' Indemnities

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

Method of Recruitment and Appointment or Election of Trustees

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

Policies and Procedures Adopted for the Induction and Training of Trustees

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

Organisational Structure

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

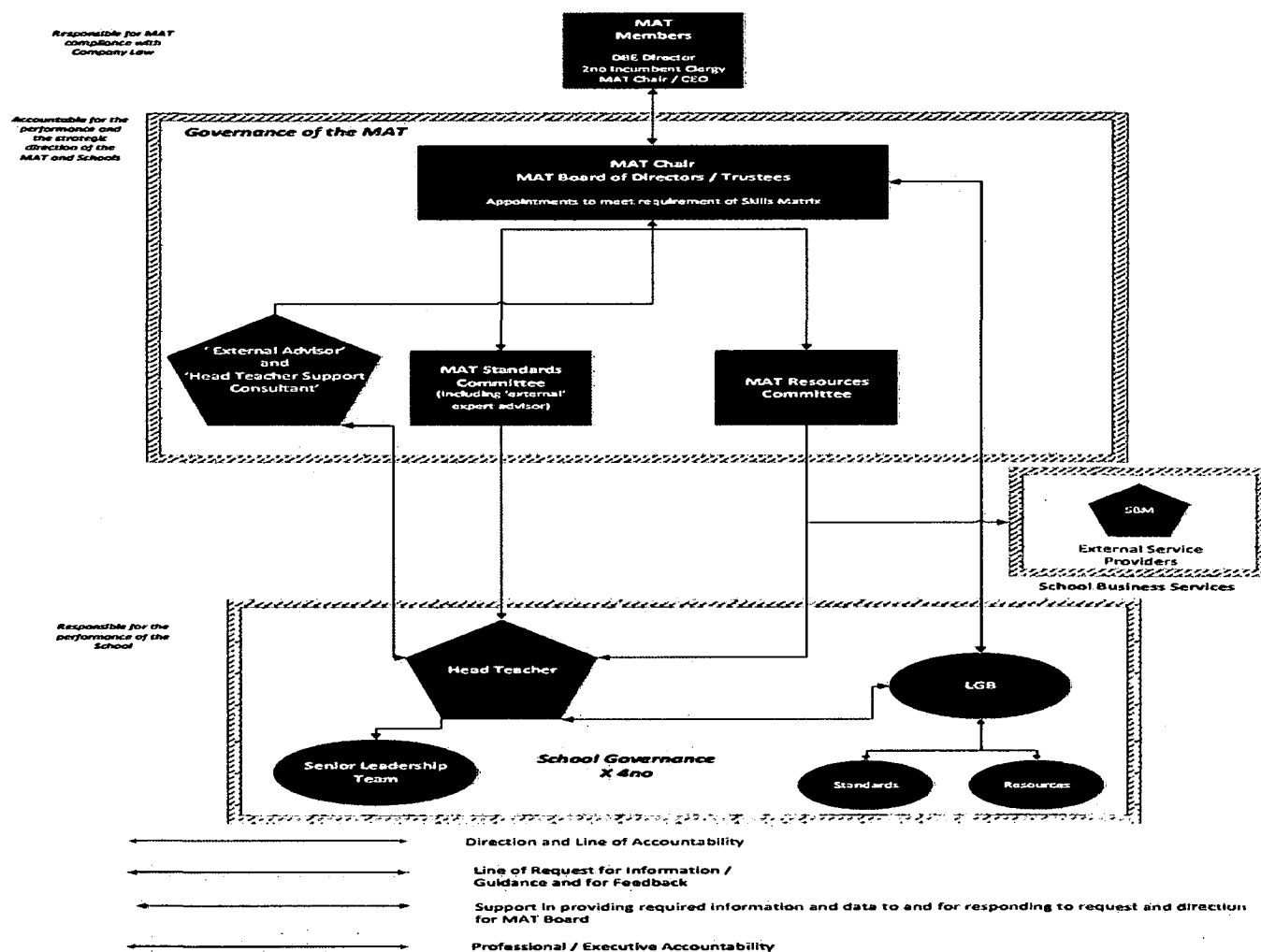
The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the academies through the use of budgets and making major decisions about the direction of the academies, capital expenditure and appointment of headteachers.

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

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

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019

Organisational Structure (cont'd)

**Arrangements for setting pay and remuneration of key management personnel**

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

Trade union facility time

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

Connected Organisations, including Related Party Relationships

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

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019**OBJECTIVES AND ACTIVITIES****Objectives and Aims**

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

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

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

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

Principal Activities

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

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

Objectives, Strategies and Activities

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

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

Equal opportunities policy

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

Disabled Persons

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

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019**Public Benefit**

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

STRATEGIC REPORT**Achievements and Performance**

Heartwood Church of England Academy Trust achievements in 2018-19 include:

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

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

Outcomes for learners in Key Stage 2 for 2018/2019 were once again broadly in line with the national. The school was above the national for Reading, Writing and Maths combined with 69% of pupils meeting ARE and 15% at the higher standard. The national percentage was 65% meeting ARE and 11% achieving the higher standard.

On an individual subject basis in reading 77% of pupils met ARE and 31% achieved the higher standard, nationally this was 73% and 27%. In writing 77% met ARE and 23% were at greater depth, nationally this was 78% and 20%. In GPS 92% met ARE and 31% achieved the higher standard, nationally it was 78% and 36%. In mathematics 77% of pupils met ARE and 15% achieved the higher standard, nationally it was 79% and 27%.

Progress of pupils from KS1 to KS2 in all 3 subjects the school shows negative progress for 2019, although within the parameters set by DFE. Progress for reading was -1.42, for writing it was -1.03 and in maths it was -2.58.

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

The 2018 KS1 SATs results were as follows, the percentage of pupils who met the standard in reading, writing and maths combined was broadly in line with the national (within 1 child) at both ARE and GD. In reading 77% of pupils were at ARE and 23% GD, nationally this was 75% and 25%. In writing 77% met ARE and 15% GD, nationally it was 69% and 15%. In maths 77% met ARE and 15% GD, nationally it was 76% and 22%.

The EYFS Level of GLD rose this year and is currently 77%, which is above the national figure of 72%.

Phonics results at end of year 1 were broadly in line with the national and this year the percentage of pupils achieving the standard in school was 80%. The national is 82%.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019**Achievement of pupils at Newton Regis CE Primary School****Ofsted Rating:** Good

Attainment at the end of KS2 at the expected level is good in Reading (89%), GPS (89%), good in Mathematics (89%) and good in Writing (89%) Attainment at the Higher Level in Reading was (44%), in Mathematics (44%) and in GPS (56%) in Writing 33% of pupils attained the High Level.

Scaled scores for Reading 110 nationally it was 104, in maths it was 109 nationally it was 105 and in GPS it was 112 nationally it was 106.

Progress of the pupils from key stage 1 to key stage 2 is also a positive picture, in Reading + 2.6, in writing +0.3 and in mathematics +2.3.

Attainment at end of Key stage 1 is broadly in line at ARE in all 3 subjects for the first time in a number of years, in Reading 85% of pupils were at ARE with 23% GD. In writing 77% were at ARE with 15% GD and in mathematics it was 77% at ARE and 23% GD.

The percentage of pupils reaching GLD has been steadily improving for a number of years from a low base. This year 80% of pupils in school met GLS which is above the national.

90% of Year 1 pupils met the standard in phonics, which was above the national of 82%.

Achievement of pupils at Warton Nethersole's CE Primary School

2018/2019 end of KS data:

Ofsted Rating: Good

Attainment in KS2: Maths was in line with national but reading and writing were below: Reading 58%, Writing 68% and Maths 79%. (19 pupils in the cohort each worth 5%)

RWM combined was 47% (national 65%). Pupils attaining at the higher level: Reading 21%, Writing 0% and Maths 16%. Reading dipped from last year. Achieving at GD remains a priority for the school as does improving reading.

Scaled scores: Reading 101 (national 104), Maths 104 (national 105)

Attainment in KS1: Attainment at the end of Year 2 was in line with or slightly higher than national in all subjects: Reading 83%, Writing 79%, Maths 79%. The percentages of children attaining at the higher level however was lower than national: Reading 21%, Writing 4%, Maths 17%.

Attainment in EYFS: Not reported as the school is taking part in a national pilot

Year 1 phonics: 75% of pupils were at the standard (82% national)

Achievement of pupils at Woodside C of E Primary School**Ofsted Rating:** Good

Foundation stage results were 80% good level of development (above national).

Phonics pass rate was 97% (putting Woodside in top 5% of school's nationally).

KS1 results were improving with reading 90% ARE and 20% GDS. Writing 65% ARE and 5% GDS. Maths 75% ARE and 15% GDS.

KS2 Data - Reading Exp+ 61%, GDS 15%. Writing Exp+ 73%, GDS 20%.

Spag Exp+ 73%, GDS 30%. Maths Exp+ 69%, GDS 19%.

Reading, Writing and Maths combined was 57%. Progress scores were -3.4 for reading, +0.1 writing and -1.7 maths.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019**Key Financial Performance Indicators**

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

Austrey Church of England Primary School	2019	2018
Pupil numbers	84	81
Staff costs as a % of revenue income received from ESFA	83%	87%
Staff costs as a % of total revenue grant income	80%	82%
Staff costs as a % of total costs	76%	73%
Capital expenditure per pupil	£Nil	£21
Newton Regis Church of England Primary School	2019	2018
Pupil numbers	79	87
Staff costs as a % of revenue income received from ESFA	100%	99%
Staff costs as a % of total revenue grant income	89%	88%
Staff costs as a % of total costs	73%	74%
Capital expenditure per pupil	£Nil	£1,305
Warton Nethersole's Church of England Primary School	2019	2018
Pupil numbers	158	146
Staff costs as a % of revenue income received from ESFA	94%	90%
Staff costs as a % of total revenue grant income	85%	82%
Staff costs as a % of total costs	75%	75%
Capital expenditure per pupil	£76	£Nil
Woodside Church of England Primary School	2019	2018
Pupil numbers	207	210
Staff costs as a % of revenue income received from ESFA	86%	92%
Staff costs as a % of total revenue grant income	83%	91%
Staff costs as a % of total costs	75%	78%
Capital expenditure per pupil	£266	£175

Going Concern

Following the transfer of the Multi Academy Trust to Birmingham Diocesan Academies Trust (BDMAT) from 1 September 2019, the primary source of funding from the ESFA for the company will cease. For this reason the Multi Academy Trust is preparing the financial statements on a winding up basis and measuring assets and liabilities at their recoverable amounts. No material adjustments are required as a result of ceasing to apply the going concern basis. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Overview

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

Most of the multi academy trust's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2019 and the associated expenditure are shown as restricted funds in the statement of financial activities.

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

At 31 August 2019 the net book value of fixed assets was £4,359,000 (2018: £4,433,000) and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019**Overview (cont'd)**

The Local Government Pension Scheme (LGPS) figures as at 31 August 2019 are based on projecting forward the estimated position at 1 September 2018 and assuming that the experience over the period, apart from investment returns, has been in line with the assumptions made at the start of the period.

The estimated FRS102 deficit at 31 August 2019 is £1,038,000 which compares to a deficit of £621,000 at 1 September 2018. The main reason for the increase in the deficit is because of:

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

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

Financial and Risk Management Objectives and Policies

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

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

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

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

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

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

Reserves policy

The trustees review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of reserves for the current number of academies should be equivalent to 3 weeks expenditure, approximately £164,000 (2018: £154,000).

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

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

The value of free reserves after deducting 3 weeks working capital requirements are £200,000 (2018: £105,000).

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019**Financial position**

The Academy held fund balances at 31 August 2019 of £3,685,000 (2018: £4,101,000), after allowing for the pension deficit of £1,038,000 (2018: £621,000); comprising £4,511,000 (2018: £4,518,000) of restricted funds and £212,000 (2018: £204,000) of unrestricted general funds.

Investment Policy

All investments are made in accordance with the policy of the trust. The trust's policy on investments are one of minimum risk with all investments being held with the trust's bankers. The trust will nevertheless seek to maximise interest receipts within this arrangement. This policy will be reviewed in the year ending 31 August 2020. Investments are made with regard to Charity Commission guidance in relation to investments.

PRINCIPLE RISKS AND UNCERTAINTIES

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

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

Risk Management

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

Fundraising

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

Plans for future periods

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

Auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware;
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees' Report incorporating a Strategic Report was approved by the board of trustees, as the company directors on 13 December 2019 and signed on their behalf by:



D Brill - Chair of Trustees

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2019**Scope of Responsibility**

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

The board of trustees has delegated the day-to-day responsibility to each of the academy Head Teachers, A Simpson, L Kilkenny and S Bostock for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Heartwood Church of England Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met 4 times during the year ended 31 August 2019. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a Possible
N Taylor	2	4
S Banks	4	4
D Brill	4	4
R Warrack	4	4
P Shaw	4	4
C. Ward Lewis	3	4

Governance Review

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

The main Board of Trustees has met 4 times in the year on 18 September 2018, 18 December 2018, 27 February 2019 and 19 June 2019 in addition to separate meetings of the sub-committees. These meetings have ensured effective oversight of the trust activities through receipt of reports on standards of academic performance from the MAT Standards sub-committee and through receipts of reports on financial planning, performance and probity from the MAT Resources sub-committee. Further the main Board oversaw the compliance of activities, the currency of all the Trust policies and the process of due diligence undertaken and the preparations of legal arrangements in respect of the planned merger with the Birmingham Diocesan Multi Academy Trust which started in October 2018. The Board resolved at the meeting on 27 February to recommend to the Members to proceed with the merger and this in turn was agreed by the Members at the Trust's Annual General Meeting on 5 March 2019.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

The MAT Resources sub-committee has overseen the preparation of termly management accounts and has interrogated these reports individually with each School and ensured the correct and timely submission of required returns to the EFSA. Evidence from this of prudent control and intervention include:

- Postponing the planned upgrade of the PS Financials accounting software as the benefit of the investment would not be realised if the merger with BDMAT proceeded as they use different accounting software.
- Supporting Warton Nethersoles School in negotiating the lease of a former pre-school building to house the School's nursery for a peppercorn rent.
- Negotiating with BDMAT to undertake the required Educational Due Diligence at no charge.

Review of Value for Money

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

Since becoming an academy in 2013, the Trust has sought to reduce costs and achieve better value for money in order to ensure that more of the resources for the Trust are spent on matters that directly impact teaching and learning and achievement in class. The decision to join Birmingham Diocese Multi Academy Trust in September 2019 will ensure value for money for all pupils moving forward.

- Several large contracts were reviewed ahead of transferring to BDMAT. Savings were made by transferring financial support from Warwickshire Education Service to Education Advisory and HR and payroll to EPM.
- During 2018-2019, MAT resources were specifically directed towards improving progress in maths and increasing the percentage of children achieving 'greater depth' in writing. Significant improvements were achieved through collaborative continual professional development across the MAT and local Consortia, extending quality reading texts and physical resources and targeted interventions.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of multi academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Capacity to Handle Risk

The board of trustees is reviewing the key risks to which the multi academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the multi academy trust's significant risks that has been in place for the period ending 31 August 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 Risk and Control Framework

Heartwood Church of England Academy Trust system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees body;
- regular reviews by the board of trustees of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**The Risk and Control Framework (cont'd)**

- 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 because of the intention during the year to transfer out all the academies in the trust to Birmingham Diocesan Multi Academy Trust, a range of checks on the multi academy trust's financial systems was not carried out during 2018/19.

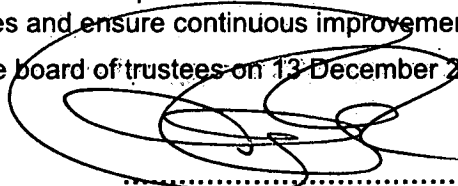
Review of Effectiveness

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

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

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

Approved by order of the members of the board of trustees on 13 December 2019 and signed on its behalf by:

**D Brill****Chair of Trustees****N Taylor****Accounting Officer**

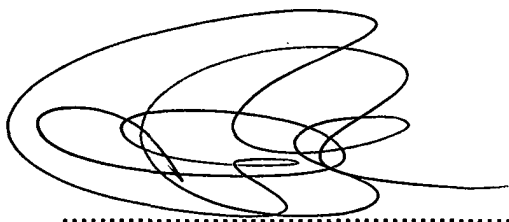
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2019

As accounting officer of Heartwood Church of England Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

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

I confirm that the following instances of material irregularity, impropriety or funding non-compliance have been discovered to date and have been notified to the board of trustees and ESFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and the ESFA.

- The Accounting Officer is not the senior executive leader of Heartwood Church of England Academy Trust, as required by the Academies Financial Handbook 2018.
- The board of trustees has considered the need for a specific internal audit function and because of the intention during the year to transfer out all the academies in the trust to Birmingham Diocesan Multi Academy Trust, a range of checks on the multi academy trust's financial systems was not carried out during 2018/19.



.....
N Taylor
Accounting Officer
13 December 2019

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

The trustees (who act as governors of Heartwood Church of England Academy Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

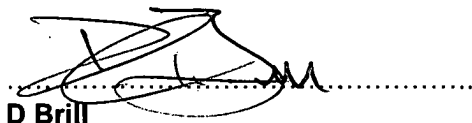
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the academy will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 13 December 2019 and signed on its behalf by:



D Brill

Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2019**Opinion**

We have audited the financial statements of Heartwood Church of England Academy Trust (the 'academy trust') for the year ended 31 August 2019 which comprise Statement of Financial Activities, the Balance Sheet and the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

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

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 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 and Skills Funding Agency.

Basis for opinion

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

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of Accounting Policies on page 24 concerning the charitable company's ability to continue as a going concern. The charitable company is reliant on the Education and Skills Funding Agency for the advancement of general annual grant. This funding has been withdrawn from Heartwood Church of England Academy Trust and transferred to Birmingham Diocesan Multi Academy Trust from 1 September 2019.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Other information**

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the strategic report and the trustees' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the trustees' report.

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 15, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

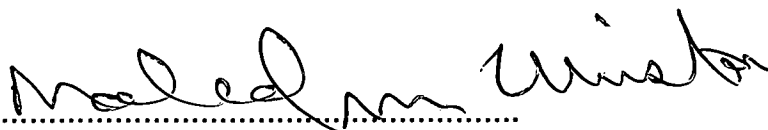
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the academy trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the academy trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the academy trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Malcolm Winston

Senior Statutory Auditor

UHY Hacker Young (Birmingham) LLP, Statutory Auditor

9-11 Vittoria Street

Birmingham

B1 3ND

13 December 2019

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2019

In accordance with the terms of our engagement letter dated 22 August 2019 and further to the requirements of the Education and 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 multi academy trust during the year ended 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 Heartwood Church of England Academy Trust and the ESFA in accordance with our engagement letter. Our review has been undertaken so that we might state to the governing body and the ESFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Heartwood Church of England Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of Heartwood Church of England Academy Trust funding agreement with the Secretary of State for Education dated 29 August 2013, and the Academies Financial Handbook extant from 1 September 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 ended 31 August 2019 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

Summary of the work undertaken was as follows:

- Analytical review of the multi academy trust's general activities are within the multi academy trusts framework of authorities;
- Consideration of the evidence supporting the accounting officers statement on regularity, propriety and compliance;
- Review of the general control environment for the multi academy trust on financial statements and on regularity;
- Sample testing of expenditure transactions to ensure the activity is permissible within the multi academy trust's framework of authority;
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the multi academy trust's delegated authorities;

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEARTWOOD CHURCH OF ENGLAND ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Approach (cont'd)**

- Formal representations obtained from the board of trustees and the accounting officer acknowledging the responsibilities including disclosing all non compliance with laws and regulations specific to the authorising framework;
- Confirmation that any extra contractual payments such as severance and compensation payments have been appropriately authorised;
- Review of credit card expenditure for any indication of personal use by staff, principal or trustees;
- Review of specific terms of grant funding within the funding agreement;
- Review of related party transactions for connections with the principal/finance manager or trustees;
- Review of income received in accordance with the activities permitted within the multi academy trust's charitable objectives.

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- The Accounting Officer is not the senior executive leader of Heartwood Church of England Academy Trust, as required by the Academies Financial Handbook 2018.
- The board of trustees has considered the need for a specific internal audit function and because of the intention during the year to transfer out all the academies in the trust to Birmingham Diocesan Multi Academy Trust, a range of checks on the multi academy trust's financial systems was not carried out during 2018/19.



Reporting Accountant

UHY Hacker Young (Birmingham) LLP

9-11 Vittoria Street

Birmingham

B1 3ND

13 December 2019

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2019

(Including Income and Expenditure Account)

		Restricted				
		Unrestricted	Restricted	Fixed	Total	Total
		Funds	General	Asset	2019	2018
	Note	£'000	Funds	Funds	£'000	£'000
			£'000	£'000		
Income from:						
Donations and capital grants	3	23	-	59	82	165
Charitable activities:						
- Funding for the academy trust's educational operations	4	-	2,434	-	2,434	2,236
Other trading activities	5	123	105	-	228	203
Investment income	6	-	-	-	-	-
Total		146	2,539	59	2,744	2,604
Expenditure on:						
Raising funds	7	69	-	-	69	14
Charitable activities:						
- Academy trust's educational operations	7 & 8	-	2,632	141	2,773	2,657
Total		69	2,632	141	2,842	2,671
Net income/(expenditure)		77	(93)	(82)	(98)	(67)
Transfers between funds	17	(69)	29	40	-	-
Other recognised gains and losses						
Actuarial (loss)/gain on defined benefit pension schemes	27	-	(318)	-	(318)	171
Net movement in funds		8	(382)	(42)	(416)	104
Reconciliation of funds						
Total funds brought forward	17	204	(566)	4,463	4,101	3,997
Total funds carried forward	17	212	(948)	4,421	3,685	4,101

All of the academy trust's activities derive from acquisitions and continuing operations during the above two financial periods.

BALANCE SHEET AS AT 31 AUGUST 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	14	<u>4,359</u>	<u>4,433</u>
		<u>4,359</u>	<u>4,433</u>
Current assets			
Debtors	15	58	46
Cash at bank and in hand		<u>405</u>	<u>365</u>
		<u>463</u>	<u>411</u>
Current liabilities			
Creditors: Amounts falling due within one year	16	<u>(99)</u>	<u>(122)</u>
Net current assets		<u>364</u>	<u>289</u>
Total assets less current liabilities		<u>4,723</u>	<u>4,722</u>
Net assets excluding pension liability		<u>4,723</u>	<u>4,722</u>
Defined benefit pension scheme liability	27	<u>(1,038)</u>	<u>(621)</u>
Total Net Assets		<u><u>3,685</u></u>	<u><u>4,101</u></u>
Funds of the Academy:			
Restricted funds			
- Fixed asset fund	17	4,421	4,463
- Restricted income fund	17	90	55
- Pension reserve	17	<u>(1,038)</u>	<u>(621)</u>
Total Restricted Funds		<u>3,473</u>	<u>3,897</u>
- Unrestricted income fund	17	<u>212</u>	<u>204</u>
Total Unrestricted Funds		<u>212</u>	<u>204</u>
Total Funds		<u><u>3,685</u></u>	<u><u>4,101</u></u>

The financial statements on pages 21 to 47 were approved by the trustees and authorised for issue on 13 December 2019 and signed on their behalf by:



D Brill
Chair of Trustees

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £'000	2018 £'000
Cash flows provided by/(used in) operating activities	21	48	(98)
Cash flows from investing activities	22	(8)	-
Cash flows from financing activities	23	-	-
Change in cash and cash equivalents in the reporting period	24	<u>40</u>	<u>(98)</u>
Cash and cash equivalents at 1 September	24	365	463
Cash and cash equivalents at 31 August	24	<u>405</u>	<u>365</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019**1 Statement of Accounting Policies**

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

Basis of Preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities : Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Heartwood Church of England Academy Trust meets the definition of a public benefit entity under FRS 102.

Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. Following the transfer of the multi academy trust to Birmingham Diocesan Academies Trust from 1 September 2019, the primary source of funding from the ESFA for the company will cease. The trustees have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future but there are material uncertainties about the Academy Trust's ability to continue as a going concern. For this reason the Academy Trust is preparing the financial statements on a winding up basis and measuring assets and liabilities at their recoverable amounts. No material adjustments are required as a result of ceasing to apply the going concern basis.

Income

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

• Grants

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

Capital grants are recognised in full when there is an 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 sheet in the restricted fixed asset fund.

• Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where receipt is probable and it can be measured reliably.

• Donations

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

• Other income

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

• Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

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

Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

- **Transfers of leasehold property**

Leasehold property transferred to the Academy from the local authority at little or no consideration will be revalued at fair value in accordance with FRS 102. This value will be recognised as incoming resources in the Statement of Financial Activities and will be included in the appropriate fixed assets category and depreciated over the life of the lease.

Expenditure

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

- **Expenditure on Raising Funds**

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

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

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

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on leasehold land where the lease is more than 20 years. The principal annual rates used for other assets are:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Tangible Fixed Assets (cont'd)**

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

Leased assets

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

Financial Instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instrument, and are measured at amortised cost as detailed in note 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

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

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is a 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 multi funded employer scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of the scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Fund Accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the trustees. Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 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.

Critical areas of judgement

The critical judgements that the Trustees have made in the process of applying the Academy Trust's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

The critical areas of judgement are accounting for government grants, accounting for the write down of assets through depreciation and accounting for the pension liability. Government grants are accounted for as restricted funds. The pension liability is assessed by an independent actuarial valuation. Depreciation rates are based on the expected life of the asset.

In assessing whether there have been any indicators of impairment assets, the Trustees have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

2 GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the multi academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019 (see note 17).

3 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2019 £'000	Total 2018 £'000
Devolved formula capital grant	-	50	50	42
Donations	23	-	23	13
CIF Grant	-	9	9	110
	<u>23</u>	<u>59</u>	<u>82</u>	<u>165</u>

The income from donations and capital grants was £82,000 (2018: £165,000) of which £23,000 (2018: £13,000) was unrestricted and £59,000 (2018: £152,000) restricted fixed assets.

4 FUNDING FOR THE MULTI ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2019 £'000	Total 2018 £'000
DfE/EFA grants				
General annual grant (GAG) (note 2)	-	2,098	2,098	1,947
Pupil premium grant	-	97	97	91
Universal free school meals grant	-	90	90	90
Sports premium grant	-	69	69	68
Other DfE/ESFA	-	4	4	-
Teachers pay grant	-	16	16	-
	<u>-</u>	<u>2,374</u>	<u>2,374</u>	<u>2,196</u>
Other Government grants				
Special educational needs grant - LA	-	40	40	33
Pupil premium grant - LA	-	20	20	7
	<u>-</u>	<u>60</u>	<u>60</u>	<u>40</u>
	<u>-</u>	<u>2,434</u>	<u>2,434</u>	<u>2,236</u>

The income from the academy trusts' educational operations was restricted for both 2019 and 2018.

5 OTHER TRADING ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2019 £'000	Total 2018 £'000
Sundry income	14	-	14	15
Lettings income	3	-	3	3
After school club income	92	-	92	72
Nursery club income	14	105	119	113
	<u>123</u>	<u>105</u>	<u>228</u>	<u>203</u>

The income from the academy trusts' other trading activities was £228,000 (2018 : £203,000) of which £106,000 (2018 : £106,000) was unrestricted and £122,000 (2018 : £97,000) was restricted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

6 INVESTMENT INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2019 £'000	Total 2018 £'000
Bank interest received	-	-	-	-
	-	-	-	-

The income from the academy trusts' investment income was unrestricted for both 2019 and 2018.

7 EXPENDITURE

	Non Pay Expenditure			Total 2019 £'000	Total 2018 £'000
	Staff Costs £'000	Premises £'000	Other Costs £'000		
Expenditure on raising funds					
- Direct costs	48	-	-	48	-
- Allocated support costs	-	-	21	21	14
Academy's educational operations					
- Direct costs	1,793	-	120	1,913	1,782
- Allocated support costs	314	244	302	860	875
	<u>2,107</u>	<u>244</u>	<u>422</u>	<u>2,773</u>	<u>2,657</u>
	<u>2,155</u>	<u>244</u>	<u>443</u>	<u>2,842</u>	<u>2,671</u>

The expenditure was £2,842,000 (2018: £2,671,000) of which £69,000 (2018: £14,000) was unrestricted, £2,632,000 (2018: £2,538,000) restricted and £141,000 (2018: £119,000) restricted fixed assets.

	2019 £'000	2018 £'000
Net income/(expenditure) for the year includes:		
Operating lease rentals	2	3
Depreciation	141	119
Fees payable to auditor for:		
Audit	6	5
Other services	<u>2</u>	<u>2</u>

8 CHARITABLE ACTIVITIES

	Total 2019 £'000	Total 2018 £'000
Direct costs - educational operations	1,913	1,782
Support costs - educational operations	<u>860</u>	<u>875</u>
	<u>2,773</u>	<u>2,657</u>
Analysis of Support Costs		
Support staff costs	314	342
Depreciation	141	119
Technology costs	15	18
Premises costs	103	102
Other support costs	264	264
Governance	<u>23</u>	<u>30</u>
	<u>860</u>	<u>875</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

9 STAFF**a Staff costs**

	Total 2019 £'000	Total 2018 £'000
Staff costs during the year were:		
Wages and salaries	1,586	1,500
Social security costs	124	118
Pension costs	369	388
	<u>2,079</u>	<u>2,006</u>
Agency staff costs	76	34
	<u>2,155</u>	<u>2,040</u>
Staff restructuring costs comprise:		
Redundancy payments	-	-
Severance payments	-	-
Other restructuring costs	-	-
	<u>-</u>	<u>-</u>

b Staff severance payments

Included in staff restructuring costs is £Nil (2018 : £Nil) non-statutory/non-contractual severance payments.

c Staff numbers

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2019 expressed as whole persons was as follows:

	2019 No	2018 No
Charitable Activities		
Teachers	24	25
Administration and support	55	55
Management	7	7
	<u>86</u>	<u>87</u>

d Higher paid staff

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

	No	No
£60,001 - £70,000	<u>1</u>	<u>1</u>

e Key management personnel

The key management of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £230,049 (2018: £226,319).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

10 CENTRAL SERVICES

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

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

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

The actual amounts charged during the year were as follows:

	2019 £'000	2018 £'000
Austrey Church of England Primary School	10	11
Newton Regis Church of England Primary School	10	10
Warton Nethersole's Church of England Primary School	16	16
Woodside Church of England Primary School	21	21
	<u>57</u>	<u>58</u>

11 RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES

One or more trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Head teacher and other staff trustees receive remuneration in respect of their contracts of employment as head teacher and staff and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the Academy Trust in respect of their role as trustees. The value of trustee's remuneration and other remuneration was as follows:

A Simpson (Head Teacher & Staff Trustee)

Remuneration	£60,000 - £65,000	(2018: £60,000 - £65,000)
Employers pension contribution	£10,000 - £15,000	(2018: £10,000 - £15,000)

S Bostock (Head Teacher & Staff Trustee)

Remuneration	£55,000 - £60,000	(2018: £55,000 - £60,000)
Employers pension contribution	£5,000 - £10,000	(2018: £5,000 - £10,000)

L Kilkenny (Head Teacher & Staff Trustee)

Remuneration	£55,000 - £60,000	(2018: £55,000 - £60,000)
Employers pension contribution	£5,000 - £10,000	(2018: £5,000 - £10,000)

During the year ended 31 August 2019 or 31 August 2018 there were no travel and subsistence expenses reimbursed to the trustees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

13 TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees' and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The academy has joined the DfE's Risk Protection Arrangement. The arrangement provides unlimited cover on any one claim and the cost for the year ended 31 August 2019 is included within the total insurance cost.

14 TANGIBLE FIXED ASSETS

	Leasehold Land & Buildings £'000	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 September 2018	4,544	327	50	4,921
Additions	-	35	32	67
Disposals	-	-	-	-
At 31 August 2019	<u>4,544</u>	<u>362</u>	<u>82</u>	<u>4,988</u>
Depreciation				
At 1 September 2018	390	67	31	488
Charged in year	90	41	10	141
Disposals	-	-	-	-
At 31 August 2019	<u>480</u>	<u>108</u>	<u>41</u>	<u>629</u>
Net book value				
At 31 August 2019	<u>4,064</u>	<u>254</u>	<u>41</u>	<u>4,359</u>
At 31 August 2018	<u>4,154</u>	<u>260</u>	<u>19</u>	<u>4,433</u>

	2019 £'000	2018 £'000
15 DEBTORS		
Trade debtors	3	2
VAT recoverable	12	5
Prepayments and accrued income	<u>43</u>	<u>39</u>
	<u>58</u>	<u>46</u>

	2019 £'000	2018 £'000
16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	25	20
Other creditors	-	1
Accruals	14	38
Deferred income	<u>60</u>	<u>63</u>
	<u>99</u>	<u>122</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

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

Deferred Income	2019 £'000	2018 £'000
Deferred income at 1 September	63	74
Resources deferred in the year	60	63
Amounts released from previous years	(63)	(74)
Deferred income at 31 August	<u>60</u>	<u>63</u>

At the balance sheet date the MAT was holding funds received in advance for 2019/20 for free school meals £47,957 (2018: £53,406), 2019/20 school trips £11,751 (2018: £6,030), ECB grant income £Nil (2018: £3,000) and rates relief £1,160 (2018: £Nil).

17 FUNDS

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

	Balance at 1 September 2018 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2019 £'000
Restricted general funds					
General annual grant (GAG) (note i)	46	2,098	(2,092)	29	81
Pupil premium grant (note ii)	-	117	(117)	-	-
Other DfE/ESFA (note iii)	-	20	(20)	-	-
Sports premium grant (note iv)	-	69	(69)	-	-
Special needs grant - LA (note v)	-	40	(40)	-	-
School funds (note vi)	9	-	-	-	9
Universal free school meals grant (note vii)	-	90	(90)	-	-
Early Years Nursery Funding (note viii)	-	105	(105)	-	-
	<u>55</u>	<u>2,539</u>	<u>(2,533)</u>	<u>29</u>	<u>90</u>
Restricted fixed asset funds					
Fixed assets donation (note ix)	4,046	-	(88)	-	3,958
Devolved formula capital grant (note x)	59	50	(11)	-	98
Academy capital maintenance grant (note xi)	48	-	(6)	-	42
Other donations (note xii)	1	-	-	-	1
Capital expenditure from unrestricted (note xiii)	47	-	(11)	40	76
CIF Grant (note xiv)	262	9	(25)	-	246
Total restricted funds	<u>4,463</u>	<u>59</u>	<u>(141)</u>	<u>40</u>	<u>4,421</u>
Restricted pension scheme liability					
Pension reserve (note xv)	(621)	-	(99)	(318)	(1,038)
	<u>(621)</u>	<u>-</u>	<u>(99)</u>	<u>(318)</u>	<u>(1,038)</u>
Total restricted funds	<u>3,897</u>	<u>2,598</u>	<u>(2,773)</u>	<u>(249)</u>	<u>3,473</u>
Unrestricted funds					
Unrestricted funds	143	146	(69)	(69)	151
WCC prior years surplus b/fwd	61	-	-	-	61
Total unrestricted funds	<u>204</u>	<u>146</u>	<u>(69)</u>	<u>(69)</u>	<u>212</u>
Total funds	<u>4,101</u>	<u>2,744</u>	<u>(2,842)</u>	<u>(318)</u>	<u>3,685</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**17 FUNDS (cont'd)****Notes**

- i) General Annual Grant must be used for the normal running costs of the academy. Under the funding agreement with the Secretary of State, the multi academy trust was not subject to a limit on the amount of GAG that it would carry forward at 31 August 2019 (see note 2).
- ii) Pupil premium grant has been used to support children from low income families placed at the MAT.
- iii) Other grants have been received from the DfE/ESFA in relation to pupil welfare and education including teachers pay grant and phonics moderation.
- iv) Sports premium grant has been received to enhance the educational teaching and equipment of Physical education.
- v) Special needs grant from the Local Authority has been used to support pupils with learning or behavioural issues by providing additional teaching support.
- vi) School funds are contributions received from parents which are used to support the Academy's educational activities.
- vii) Universal free school meals has been used to provide free school meals to pupils.
- viii) Early years nursery funding is received from Warwickshire County Council for free hour placements at the nursery facility.
- ix) Fixed asset donation is the value of the school that was transferred to the Multi Academy Trust upon conversion from the Local Authority.
- x) Devolved formula capital has been used to maintain the school through maintenance repairs and capital additions.
- xi) Academy capital maintenance grant has been used to renovate the kitchens.
- xii) Other donations comprise the Big Lottery grant and a PTA donation which was used to fund capital additions.
- xiii) Capital expenditure from unrestricted funds represents the excess of capital expenditure over the capital funding amounting to £40,000 (2018: £30,000).
- xiv) CIF grant has been used to replace boiler heating system within the schools.
- xv) The pension reserve represents the deficit on the Local Government Pension Scheme (note 27).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

17 FUNDS (cont'd)

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

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

TOTAL FUNDS ANALYSIS BY ACADEMY

Fund balances at 31 August 2019 were allocated as follows:

	2019 Total £'000	2018 Total £'000
Austrey Church of England Primary School	48	18
Newton Regis Church of England Primary School	28	52
Warton Nethersole's Church of England Primary School	57	42
Woodside Church of England Primary School	106	104
Central services	63	43
Total before fixed assets and pension reserve	302	259
Restricted fixed assets fund	4,421	4,463
Pension reserve	(1,038)	(621)
	3,383	3,842
Total	3,685	4,101

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

17 FUNDS (cont'd)

TOTAL COST ANALYSIS BY ACADEMY

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excl. depreciat'n) £'000	2019 Total £'000	2018 Total £'000
Austrey	301	52	18	61	432	438
Newton Regis	348	62	15	84	509	471
Warton Nethersole's	523	86	28	119	756	673
Woodside	669	97	59	142	967	904
Central services	-	17	-	20	37	66
Academy Trust	1,841	314	120	426	2,701	2,552

18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2019 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed assets	-	-	-	4,359	4,359
Current assets	212	-	189	62	463
Current liabilities	-	-	(99)	-	(99)
Pension scheme liability	-	(1,038)	-	-	(1,038)
	212	(1,038)	90	4,421	3,685

Fund balances at 31 August 2018 are represented by:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

19 CAPITAL COMMITMENTS

	2019	2018
	£'000	£'000
Contracted for, but not provided in the financial statements	Nil	6
Authorised by trustees, but not yet contracted	63	Nil

20 COMMITMENTS UNDER OPERATING LEASES

Operating leases

At 31 August 2019 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2019	2018
	Other	Other
	£'000	£'000
Operating leases which expire:		
. Within one year	-	2
. Within two to five years	-	-
	-	2

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

	2019	2018
	£'000	£'000
Net expenditure for the reporting period (as per the statement of financial activities)	(98)	(67)
Adjusted for:		
Depreciation (note 14)	141	119
Capital grants from DfE and other capital income	(59)	(152)
Interest receivable	-	-
Defined benefit pension scheme cost less contributions payable (note 27)	83	91
Defined benefit pension scheme finance cost (note 27)	16	20
(Increase)/decrease in debtors	(12)	22
Decrease in creditors	(23)	(131)
Net cash provided by/(used in) operating activities	48	(98)

22 CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	-	-
Purchase of tangible fixed assets	(67)	(152)
Capital grants from DfE/ESFA	59	152
Capital funding received from sponsors and others	-	-
Net cash used in investing activities	(8)	-

23 CASH FLOWS FROM FINANCING ACTIVITIES

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

24 ANALYSIS OF CHANGES IN NET FUNDS

	At 31	At 31
	August	August
	2019	2018
	£'000	£'000
Cash in hand and at bank	405	365
Total cash and cash equivalents	405	365

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**25 CONTINGENT LIABILITIES**

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to:

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

26 MEMBERS' LIABILITY

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

27 PENSION AND SIMILAR OBLIGATIONS

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

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

The total pension cost to the Academy during the year ended 31 August 2019 was £369,000 (2018: £388,000) of which £158,000 (2018: £157,000) relates to the TPS and £211,000 (2018: £231,000) relates to LGPS.

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

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

Teachers' Pension Scheme**Introduction**

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Valuation of the Teachers' Pension Scheme**

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

SCHEME CHANGES

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employers pension costs paid to TPS in the period amounted to £158,000 (2018: £157,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in a separate trustee administered funds. The total contributions made for the year ended 31 August 2019 was £242,000 (2018: £260,000) of which employers contributions totalled £211,000 (2018: £231,000) and employees contributions totalled £31,000 (2018: £29,000). The agreed employers contributions for future years are 26.4% (2018: 26.4%) for Austrey Church of England Primary School, 62.4% (2018: 26.4%) for Newton Regis Church of England Primary School, 26.4% (2018: 26.4%) for Warton Nethersole's Church of England Primary School and 26.4% (2018: 26.4%) for Woodside Church of England Controlled Primary School for employers and agreed employees contributions of 5.5% (2018: 5.5%) for Austrey Church of England Primary School, 5.5% (2018: 5.5%) for Newton Regis Church of England Primary School, 5.5% (2018: 5.5%) for Warton Nethersole's Church of England Primary School and 5.5% (2018: 5.5%) for Woodside Church of England Primary School.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

Local Government Pension Scheme (cont'd)

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

Principal Actuarial Assumptions

The major assumptions used by the actuary were:	At 31 August 2019 % per annum	At 31 August 2018 % per annum
Discount rate	1.9%	2.8%
Salary increases	2.9%	2.9%
Pension increase	2.3%	2.3%

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

	At 31 August 2019 Approx Change to Employers Liability £'000	At 31 August 2018 Approx Change to Employers Liability £'000
Discount rate decreased by 0.5% per annum	317	233
Assumed pension increased by 0.5% per annum	251	181
Salary growth increased by 0.5% per annum	58	49

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

Local Government Pension Scheme (cont'd)

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

	At 31 August 2019 years	At 31 August 2018 years
Longevity at age 65 retiring today		
- Men	21.4	22.5
- Women	23.6	24.7
Longevity at age 65 retiring in 20 years		
- Men	22.4	24.3
- Women	25.0	26.7

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

	Fair value at 31 August 2019 £'000	Fair value at 31 August 2018 £'000
Equity instruments	894	789
Debt instruments	380	275
Property	176	151
Cash	15	38
Total market value of assets	1,465	1,253
Present value of scheme liabilities		
- Funded	(1,465)	(1,253)
- Unfunded	(1,038)	(621)
Total liabilities	(2,503)	(1,874)
Deficit in the scheme	(1,038)	(621)

The actual return on the scheme assets in the year was £38,000 (2018: £27,000).

Amounts recognised in the Statement of Financial Activities

	2019 £'000	2018 £'000
Current service cost	173	211
Past service cost	22	-
Interest income	(38)	(27)
Interest cost	54	47
Total operating charge	211	231

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

27 PENSION AND SIMILAR OBLIGATIONS (cont'd)

Local Government Pension Scheme (cont'd)	2019	2018
	£'000	£'000
Changes in deficit during the year		
Balance at 1 September 2018	621	681
Movement in year:		
- Employer service cost (net of employee contributions)	195	211
- Employer contributions	(112)	(120)
- Expected return on scheme assets	(38)	(27)
- Interest cost	54	47
- Actuarial losses/(gains)	318	(171)
Deficit in the scheme at 31 August 2019	1,038	621

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

	2019	2018
	£'000	£'000
Scheme liabilities at 1 September 2018	1,874	1,744
Current service cost	173	211
Past service cost	22	-
Interest cost	54	47
Contributions by scheme participants	31	29
Benefits paid	(12)	(10)
Actuarial losses/(gains)	361	(147)
Scheme liabilities at 31 August 2019	2,503	1,874

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

	2019	2018
	£'000	£'000
Fair value of scheme assets at 1 September 2018	1,253	1,063
Expected return on scheme assets	38	27
Actuarial gains	43	24
Contributions by employer	112	120
Benefits paid	(12)	(10)
Contributions by scheme participants	31	29
Fair value of scheme assets at 31 August 2019	1,465	1,253

The estimated value of employer contributions for the year ended 31 August 2020 is £112,000 (2019: £123,000).

28 RELATED PARTY TRANSACTIONS

Owing to the nature of the multi academy trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. During the year ended 31 August 2019 there were no such transactions.

In entering into the transactions the trust has complied with the requirements of the Academies Financial Handbook 2019.

No related party transactions took place in the period of account, other than certain trustee's remuneration and expenses already disclosed in note 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

29 TRANSFER OUT OF EXISTING ACADEMIES**Central Function**

**Transfer out
recognised
£'000**

Tangible fixed assets

Leasehold land

Leasehold buildings

Computer equipment

Furniture & equipment

Current assets

Trade debtors

VAT recoverable

Inter MAT debtor

Cash at bank

Liabilities

Creditors: amounts falling due within one year

Trade creditors

Accruals and deferred income

Pensions

Pensions - pension scheme assets

Pensions - pension scheme liabilities

Net assets

63

On 1 September 2019 the assets and liabilities of the Central function of Heartwood Multi Academy Trust were transferred to Birmingham Diocesan Multi Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within donations and capital grant income to the net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

29 TRANSFER OUT OF EXISTING ACADEMIES (Cont'd)

Austrey Church of England Primary School	Transfer out recognised £'000
Tangible fixed assets	
Leasehold land	213
Leasehold buildings	759
Computer equipment	1
Furniture & equipment	6
Current assets	
Debtors	-
VAT recoverable	-
Prepayments and accrued income	10
Cash at bank	75
Liabilities	
Creditors: amounts falling due within one year	
Salix loans	-
Trade creditors	-
Tax and social security	-
Other creditors	-
Accruals	(8)
Inter MAT creditor	(2)
Creditors: amounts falling due in greater than one year	
Salix loans	-
Pensions	
Pensions - pension scheme assets	221
Pensions - pension scheme liabilities	(414)
Net assets	861

On 1 September 2019 the assets and liabilities of Austrey Church of England Primary School were transferred to Birmingham Diocesan Multi Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within donations and capital grant income to the net assets acquired.

29 TRANSFER OUT OF EXISTING ACADEMIES (Cont'd)

Newton Regis Church of England Primary School	Transfer out recognised £'000
Tangible fixed assets	
Leasehold land	125
Leasehold buildings	956
Computer equipment	4
Furniture & equipment	121
Current assets	
Debtors	-
VAT recoverable	-
Prepayments and accrued income	9
Cash at bank	61
Liabilities	
Creditors: amounts falling due within one year	
Salix loans	-
Trade creditors	(9)
Tax and social security	-
Other creditors	-
Accruals	(10)
Inter MAT creditor	-
Creditors: amounts falling due in greater than one year	
Salix loans	-
Pensions	
Pensions - pension scheme assets	238
Pensions - pension scheme liabilities	(383)
Net assets	1,112

On 1 September 2019 the assets and liabilities of Newton Regis Church of England Primary School were transferred to Birmingham Diocesan Multi Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within donations and capital grant income to the net assets acquired.

29 TRANSFER OUT OF EXISTING ACADEMIES (Cont'd)**Warton Nethersole's Church of England
Primary School****Transfer out
recognised
£'000****Tangible fixed assets**

Leasehold land 148

Leasehold buildings 918

Computer equipment 6

Furniture & equipment 60

Current assets

Debtors 2

VAT recoverable -

Prepayments and accrued income 6

Cash at bank 97

Liabilities

Creditors: amounts falling due within one year

Salix loans -

Trade creditors (14)

Tax and social security -

Other creditors -

Accruals (13)

Inter MAT creditor (9)

Creditors: amounts falling due in greater than one year

Salix loans -

Pensions

Pensions - pension scheme assets 424

Pensions - pension scheme liabilities (753)

Net assets**872**

On 1 September 2019 the assets and liabilities of Warton Nethersole's Church of England Primary School were transferred to Birmingham Diocesan Multi Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within donations and capital grant income to the net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

29 TRANSFER OUT OF EXISTING ACADEMIES (Cont'd)

Woodside Church of England Primary School

Transfer out
recognised
£'000

Tangible fixed assets

Leasehold land

56

Leasehold buildings

889

Computer equipment

30

Furniture & equipment

67

Current assets

Debtors

1

VAT recoverable

12

Prepayments and accrued income

18

Cash at bank

123

Liabilities

Creditors: amounts falling due within one year

Salix loans

-

Trade creditors

-

Tax and social security

-

Other creditors

-

Accruals

(34)

Inter MAT creditor

(14)

Creditors: amounts falling due in greater than one year

Salix loans

-

Pensions

Pensions - pension scheme assets

582

Pensions - pension scheme liabilities

(953)

Net assets

777

On 1 September 2019 the assets and liabilities of Woodside Church of England Primary School were transferred to Birmingham Diocesan Multi Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within donations and capital grant income to the net assets acquired.

30 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 September 2019 the assets and liabilities and activities of Heartwood Church of England Academy Trust were transferred to the charitable company Birmingham Diocesan Multi Academy Trust.