

The Heath Academy Trust
(A Company Limited by Guarantee)

Annual Report and Financial Statements

For the Year Ended 31 August 2018

Company Registration Number: 09809895 (England and Wales)

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The Heath Academy Trust

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The Heath Academy Trust
Reference and Administrative Details

Members	M Loveys N Musselwhite J Roper A Rowland A Risby	(Appointed 1 September 2018) (Resigned 1 September 2018)
Trustees	S Carter L Crossley J Horn N Musslewhite A Risby J Taylor E Tikaradze L Wooff	(Accounting Officer & CEO) (Chair of trustees) (Appointed 17 January 2018) (Appointed 31 October 2018)
Company Secretary	J Lolley	Trust Admin Manager
Senior Management Team	J Horn L Crossley A Clark C Hewitt J Hudson R Sewell J McCall S White	Accounting Officer and CEO Head teacher Head teacher Head teacher Head teacher Head teacher Business Manager/CFO Business Manager/CFO (Appointed 17 September 2018)
Company Name	The Heath Academy Trust	
Principal and Registered Office	Sandy Lane St Ives Hampshire BH24 2LE	
Company Registration Number	09809895 (England and Wales)	
Independent Auditor	Albert Goodman LLP Mary Street House Mary Street Taunton Somerset TA1 3NW	
Bankers	Lloyds Bank Plc 25 High Street Ringwood Hampshire BH24 1BD	

The Heath Academy Trust
Trustees' Report
For the Year Ended 31 August 2018

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year to 31 August 2018. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

On 1 December 2015 a multi-academy trust was established with St Mary's C of E First School, St Ives Primary School, St James' C of E First School, Oakhurst Community First School, Sixpenny Handley First School and Three Legged Cross First and Nursery School as members.

Justine Horn, Headteacher at Three Legged Cross became Accounting Officer and CEO on 1 September 2016.

Heath Academy Trust operates a six nursery, first and primary school academy trust in the East Dorset area. The trust has a pupil capacity of 885 primary age places and had a roll of 722 in the school census in October 2018. There is also capacity for 200 nursery places and 135 nursery age pupils were on roll at the October 2018 census date.

Structure, Governance and Management

Constitution

The academy trust was incorporated on 5 October 2015 and opened as an Academy on 1 December 2015. The Heath Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees of The Heath Academy Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Heath Academy Trust.

Details of the trustees who served throughout the year are included in the Reference and Administration Details page.

Members' Liability

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

Trustees' Indemnities

The academy trust is a member of the DFE's Risk Protection Arrangement with a limit of £10,000,000.

Method of Recruitment and Appointment or Election of Trustees

The academy trust has the following trustees as set out in our Articles of Association:

- 8 trustees appointed by the Members;
- No fewer than 3 trustees appointed by the Diocesan Board of Education;
- and the Chief Executive Officer.

Trustees serve for a period of four years.

In order to fully contribute to the development of the Trust the recruitment process for new trustees ensures that the experience and skills of individuals are taken into account prior to appointment. A skills audit highlighted the areas where additional skills were required, and the trust has actively sought to recruit appropriately to fill those gaps. Recruitment of skilled trustees is an ongoing process.

Policies and Procedures Adopted for the Induction and training of Trustees

When new trustees are appointed, an analysis of requirements of their role and current skills is conducted to determine the necessary induction. Our induction procedures and support are outlined in our induction handbook and a new trustee is assigned an existing, experienced trustee to act as mentor.

Organisational Structure

The Trust operates a clear scheme of delegation which clarifies the level at which certain decisions are made.

The School Improvement Group is made up of headteachers of all the schools, including the CEO, the Trust Admin Manager and the Trust Business Manager. The board of trustees meets at least 6 times a year and this year the decision was made to amalgamate the work of the Finance and Audit and HR and Standards committees into full board meetings. The full board including those who are part of the Finance and Audit Committee also meet in November for the presentation of financial statements by the Trust's accountants. The Trust board retains responsibility for: approving terms of reference for the local governing bodies; approving the Trust scheme of delegation; approving the Trust Pay, Finance and Health and Safety policies and the overview for strategic direction.

The full board take responsibility for monitoring achievement data, Health and Safety and Financial compliance, employment, staff development and recruitment across the trust and its schools.

Arrangements for setting pay and remuneration of key management personnel

Pay and remuneration for key personnel remains the responsibility of the Trust board. Headteachers and the CEO are paid in line with the School Teachers Pay and Conditions. Non teaching key personnel are remunerated in line with local government agreed pay scales. All staff pay increases are subject to successful performance management and appraisal and in line with National agreements.

Trade union facility time

The Heath Academy Trust does not have any union representatives.

Related Parties and other Connected Charities and Organisations

The Trust is closely aligned with the Holt Heath Teaching Alliance, which is led by two Trust schools. The alliance receives an annual government grant to support school improvement initiatives in the local area.

Objectives and Activities

Objects and Aims

The Trust aims to achieve outstanding performance from our children within a high quality, effective learning environment, producing a love of learning and a passion for excellence in all areas of school life. Through the Holt Heath Teaching Alliance we ensure a culture of high aspiration and clear lines of accountability, underpinned by strong, tailored school improvement and management systems within a professional learning environment.

Objectives, Strategies and Activities

The Trust is committed to working to the principle of 'inspire, transform, together'. Our Trust works to embed a strong culture of consistent high expectations, strong academic achievements while offering a wide range of sporting, artistic and cultural opportunities. Our Trust supports a strong commitment to high quality professional development based on rigorous self-evaluation, challenge and support in order to ensure school improvement.

The Trust is continuing to further improve systems to standardise routines and procedures and apply consistent high expectations and standards across all our schools. Shared expertise, staff and resources are being deployed to raise pupil outcomes.

Public Benefit

The trustees confirm that they have complied with the duty in Section 17(5) of the Charities Act 2011 to have due regard to the Charity Commissioner's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the academy's aims and objectives and in planning its future activities.

Strategic Report

Achievements and Performance (with Key Performance Indicators)

The Trust supports school improvement through its commitment to the self-improving system. The teaching school, the Holt Heath Teaching Alliance led by two National Support Schools, leads school improvement. It has appointed middle leaders to support and challenge consistency and improvement across the three key stages within the Trust.

The Trust currently has statutory achievement data for the Key Stage One and Key Stage Two achievement. However, assessment systems mean that achievement is regularly tracked for all learners from nursery to Year 6.

According to the most recent Ofsted inspection information, the Trust has two outstanding schools and four good schools. Three Trust schools, Sixpenny Handley First School; St Mary's CE First School and St James CE First School, had successful Ofsted inspections in 2017-18 and remain good. Our Trust is deploying school-to-school support to raise achievement where progress is currently less than good. High quality CPD is offered through our teaching school, the Holt Heath Teaching Alliance.

Early Years

- 73% of our pupils achieved a Good Level of Development, above the national average of 72%.

Year One Phonics Check

- 84% of our pupils met the Year One Phonics standard compared to the national standard of 83%.

Key Stage One

- Our pupils achieved above national standards in the end of Key Stage One Statutory Assessment: 82% of our pupils met the expectations in reading, compared to the national standard of 76%; 75% in writing, compared to the national standard of 70%; and 79% in mathematics, compared to the national standard of 76%.

Key Stage Two

- Our pupils achieved above national standards in the end of Key Stage Two Statutory Assessment: 96% of our pupils met the expectations in reading, compared to the national standard of 80%; 93% in writing, compared to the national standard of 78%; and 96% in mathematics, compared to the national standard of 79%.

Going Concern

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

Financial Review

Most of the Academy's income is obtained from the Department for Education via the Education and Skills Funding Agency in the form of recurrent grants, the use of which is restricted to the purposes of education. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds (non-fixed assets) in the statement of financial activities.

The Academy also receives grants for fixed assets from the ESFA. In accordance with the SORP, 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.

Four of the six schools operate nurseries from their sites and this funding is received from the local authority and is shown as restricted funds in the statement of financial activities.

Other income is received from the provision of additional paid nursery hours, after school and breakfast clubs, parental donations, catering and the hire of facilities at the schools.

The Trust submitted bids on behalf of all the schools to the DfE Condition and Improvement Funding 18/19 round. Both Oakhurst First & Nursery and St Mary's First & Nursery schools were successful and have received funding towards fire safety improvements. The work is due to be completed in January 2019.

During the year the academy trust received income of £4,418,879 (2017: £4,057,640) and incurred expenditure of £4,841,618 (2017: £4,355,324) which, together with an actuarial pension fund gain of £393,000 (2017: £98,000), results in a net decrease in funds of £29,739 (2017: £199,684). By fund these figures are broken down as:

- Unrestricted income, generated through activities such as educational trips and clubs, of £393,467 less attributable expenditure, including transfers, of £532,706 to leave a deficit of £139,239.
- Restricted income of £3,824,218 less expenditure, transfers and pension adjustments of £3,781,925 to leave surplus of £42,293.
- Restricted fixed asset income of £201,194 less expenditure and transfers of £133,987 to leave a surplus of £67,207.

Reserves Policy

The trustees review the reserve levels of the academy annually. The review encompasses the nature of income and expenditure streams, the need to match income with commitments, and the nature of the reserves. The trustees aim to have sufficient reserves to meet ongoing commitments. The academy aims to hold a contingency fund of £300,000 to cover unexpected expenditure which is based on one month's operating costs.

The academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £180,994. Additionally, within restricted funds the academy holds £154,705 of reserves (including the General Annual Grant) that are considered freely available for general purposes.

The academy's aim is to use the allocated funding each year for the full benefit of our current students. However we also consider it necessary to carry forward some reserves to:

- Provide sufficient working capital to cover delays between spending and receipt of grants;
- To invest in future years' priorities for the children of our school, for example capital projects; and have plans in place for how this will be spent over the next three years;
- To have a contingency reserve to cover expenditure required for unforeseen circumstances such as urgent maintenance.

Investment Policy

The financial model of the academy is to optimise working capital whilst ensuring easy access of the funds. In balancing risk against return the academy trust's policy is clearly geared to avoiding risk rather than maximising income.

Monies surplus to the working requirements at the academy can be invested in an account with the approved institutions authorised by the Board. This may be a higher interest-bearing account operated by the same bank that the Trust operates its current account with, or an alternative approved institution.

The academy will not take out any long-term investments until a reliable cash flow pattern has been established; monies will only be paid into approved fixed rate investment accounts i.e. Sterling Money Market, allowing access to funds within a term not exceeding six months.

Principal Risks and Uncertainties

The Trust has developed a Risk Register and Business Continuity Plan to fully assess the risks and uncertainties and provide a clear plan of action in the event of major incidents. Risk is discussed at all board meetings and Local Governing Bodies also consider their own school's individual risks regularly reporting any changes to the Trust either immediately or on a termly basis dependent on the reason for change. Current risks highlighted in our assessment include:

- Failure of a school to meet national achievement targets and achieve financial stability will threaten the viability of the Trust
- Reducing pupil numbers in some areas and the small size of the schools put at risk the stability of schools within the Trust
- Reduction in funding across the schools combined with increased staffing costs such as unfunded pay and pension increases

Fundraising

All schools within the Trust rely on the goodwill of parents and community to supplement government funding to enable additional educational activities to take place. Individual schools have built up a good working relationship with their respective parents associations and funds are raised through a variety of activities including summer fayres, discos, online purchasing donations via Easyfundraising.org, commission on the sale of photos and uniforms and campaigns for specific curricular equipment.

The Trust and its schools work hard to ensure that fund raising is carried out in a timely and sensitive manner and that no parents are put under pressure to donate. Projects are clearly defined for the majority of fund raising activities and are monitored by the Headteacher of each school. The Trust board takes an oversight of the levels of fundraising via its monthly management reports. Any complaints are dealt with locally.

Plans for Future Periods

The Trust is committed to providing high quality education throughout the local area. We are establishing a system to support our current schools with consistency in order to provide high pupil outcomes and safe school buildings and working practices within a viable financial environment. Our Trust continues to be committed to improving our schools, introducing consistent practices where necessary and using high quality CPD to improve the learning of all pupils. We are continuing to grow from the Early Years by expanding to include nursery provision across our schools. It is anticipated that by the end of 2018-19 academic year, we will have nursery provision in five of our six schools.

Funds held as Custodian Trustee on Behalf of Others

The academy and its trustees do not act as the Custodian Trustee of any other charity.

Auditor

Insofar as the trustees are aware:

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

The auditor, Albert Goodman LLP, will be proposed for re-appointment at the Annual General Meeting.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 12/12/2018 and signed on the board's behalf by:

N Musselwhite

N Musselwhite
Chair of Trustees

Date: 12/12/2018

Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that The Heath 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 the CEO, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Heath 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 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
S Carter	4	7
L Crossley	5	7
J Horn (Accounting Officer & CEO)	7	7
N Musselwhite (Chair of Trustees)	7	7
A Risby	7	7
J Taylor (Appointed 17/01/2018)	4	4
L Woof	5	7

The multi-academy trust continues to ensure all appointments to the board enhance the current skills base and is actively seeking additional trustees to fill the skills gap identified in a recent skills audit. This has proved to be challenging over the last financial year.

The Trust board receives information in a variety of ways to ensure it fulfils its responsibilities to support, monitor and challenge the work of its schools. Achievement data is provided by the CEO in a consistent and user friendly format which allows all trustees to participate in the oversight of progress. Financial data is provided in a comprehensive format and includes the use of KPI's and benchmarking. Information is held in a central secure area to reduce the use of paper and allow Trustees to access the data at their own convenience.

The Trust board takes their responsibilities for compliance with GDPR extremely seriously and this year have implemented new procedures and policies and provided training for all staff across the Trust.

Review of Value for Money

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

- Collaboration - The Trust has secured high quality continuous professional development across our Trust at all levels to promote a shared collaborative approach to raising standards, for example by introducing Singapore mathematics methods, shared learning walks and writing exemplification.
- Shared expertise - The Trust has utilised some shared staff to maximise high expectations across all schools.
- Buildings – The Trust has secured Trust wide contracts for shared health and safety, maintenance and buildings contracts to ensure compliance and best value.

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

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

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks;
- a clear finance policy and set of financial procedures;
- ongoing training and support for staff with financial responsibilities.

The board of trustees appointed South West Audit Partnership (SWAP) as internal auditors for the year ended 31 August 2018 who carried out a full audit across all schools in May 2018.

SWAP's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll, income and financial management

The recommendations from their report formed an action plan which has now been implemented and which was monitored by the Finance and Audit committee.

Review of Effectiveness

As accounting officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the work of the executive managers within the 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 by the board of trustees and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 12/12/2018 and signed on its behalf by:



N Musselwhite
Chair of Trustees



J Horn
Accounting Officer

The Heath Academy Trust
Statement on Regularity, Propriety and Compliance
For the Year Ended 31 August 2018

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

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

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



.....
J Horn
Accounting Officer

Date: 12/12/2018

The Heath Academy Trust
Statement of Trustees' Responsibilities
For the Year Ended 31 August 2018

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

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 12/12/2018 and signed on its behalf by:


.....
N Musselwhite
Chair of Trustees

The Heath Academy Trust

Independent Auditor's Report on the Financial Statements to the Members of The Heath Academy Trust For the Year Ended 31 August 2018

Opinion

We have audited the financial statements of The Heath Academy Trust ('the charitable company') for the year ended 31 August 2018 which comprise the Statement of Financial Activities including the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement 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, including Financial Reporting Standard 102; the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared under the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion, the financial statements:

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

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that act. 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 charitable company 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.

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our 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.

The Heath Academy Trust

Independent Auditor's Report on the Financial Statements to the Members of The Heath Academy Trust For the Year Ended 31 August 2018

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Trustees' Report.

Matters on which we are required to report by exception

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 Statement of Trustees Responsibilities set out on page 13, the trustees (who are also the directors of the charitable company 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 to 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

The Heath Academy Trust

Independent Auditor's Report on the Financial Statements to the Members of The Heath Academy Trust

For the Year Ended 31 August 2018

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

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

Use of our report

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



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Joseph Doggrell ACA
Senior Statutory Auditor
for and on behalf of
Albert Goodman LLP
Chartered Accountants
Statutory Auditor

Date: 13/12/2018

The Heath Academy Trust

Independent Reporting Accountant's Assurance Report on Regularity to The Heath Academy Trust and the Education and Skills Funding Agency For the Year Ended 31 August 2018

In accordance with the terms of our engagement letter dated 14 August 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Heath Academy Trust during the year to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of The Heath Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Heath Academy Trust's funding agreement with the Secretary of State for Education dated 30 November 2015 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The Heath Academy Trust

Independent Reporting Accountant's Assurance Report on Regularity to The Heath Academy Trust
and the Education and Skills Funding Agency
For the Year Ended 31 August 2018

The work undertaken to draw our conclusion includes:

- Reviewing compliance against the requirements of the Academies Financial Handbook (September 2017);
- A review of the governance policies and procedures with specific consideration for financial planning, monitoring and control;
- Gaining assurance that the lines of delegation and the limits set both internally by the academy and by ESFA have been adhered to;
- A review of all meeting minutes of the board of trustees;
- An examination of financial transactions to identify any unusual items which may be improper; and
- A review of the declaration of interests completed by the trustees.

Conclusion

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



.....
Reporting Accountant

Albert Goodman LLP
Chartered Accountants

Mary Street House
Mary Street
Taunton
Somerset
TA1 3NW

Date: 13/12/2018

The Heath Academy Trust
Statement of Financial Activities (including Income and Expenditure Account)
For the Year Ended 31 August 2018

	Note	Unres- tricted £	Res- tricted General £	Res- tricted Fixed Asset £	2018 Total £	2017 Total £
Income and endowments from:						
Donations and capital grants	2	53,256	-	201,194	254,450	137,441
Charitable activities:						
Funding for the academy trust's educational operations	3	-	3,784,218	-	3,784,218	3,531,931
Teaching schools	24	-	40,000	-	40,000	76,000
Other trading activities	4	339,821	-	-	339,821	311,715
Investments	5	390	-	-	390	553
Total		<u>393,467</u>	<u>3,824,218</u>	<u>201,194</u>	<u>4,418,879</u>	<u>4,057,640</u>
Expenditure on:						
Charitable activities:						
Academy trust educational operations	7	227,913	4,388,309	177,175	4,793,397	4,330,786
Teaching schools	24	-	48,221	-	48,221	24,538
Total		<u>227,913</u>	<u>4,436,530</u>	<u>177,175</u>	<u>4,841,618</u>	<u>4,355,324</u>
Net income / (expenditure)		165,554	(612,312)	24,019	(422,739)	(297,684)
Transfers between funds	19	(304,793)	261,605	43,188	-	-
Other recognised gains / (losses):						
Actuarial (losses) / gains on defined benefit pension schemes		-	393,000	-	393,000	98,000
Net movement in funds		(139,239)	42,293	67,207	(29,739)	(199,684)
Reconciliation of funds						
Total funds brought forward		367,717	(1,664,588)	10,057,060	8,760,189	8,959,873
Total funds carried forward		<u>228,478</u>	<u>(1,622,295)</u>	<u>10,124,267</u>	<u>8,730,450</u>	<u>8,760,189</u>

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

The Statement of Financial Activities for the prior year is shown in Note 25.

The Heath Academy Trust - Company Registration Number: 09809895

Balance Sheet

As at 31 August 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		10,038,985		10,101,530
Current assets					
Debtors	13	150,744		217,402	
Cash at bank and in hand	20	710,456		630,747	
		<u>861,200</u>		<u>848,149</u>	
Liabilities					
Creditors: Amounts falling due within one year	14	(392,735)		(337,490)	
Net current assets			468,465		510,659
Total assets less current liabilities			<u>10,507,450</u>		<u>10,612,189</u>
Creditors: Amounts falling due after more than one year			-		-
Net assets excluding pension liability			<u>10,507,450</u>		<u>10,612,189</u>
Defined benefit pension scheme liability	22		(1,777,000)		(1,852,000)
Total assets			<u><u>8,730,450</u></u>		<u><u>8,760,189</u></u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	15	10,124,267		10,057,060	
Restricted income fund	15	154,705		187,412	
Pension reserve	15	(1,777,000)		(1,852,000)	
Total restricted funds			<u>8,501,972</u>		<u>8,392,472</u>
Unrestricted income funds	15		228,478		367,717
Total funds			<u><u>8,730,450</u></u>		<u><u>8,760,189</u></u>

The financial statements on pages 19 to 44 were approved by the trustees, and authorised for issue on12/12/2017..... and are signed on their behalf by:

N Musselwhite

N Musselwhite
Chair of Trustees

The Heath Academy Trust
Statement of Cash Flows
For the Year Ended 31 August 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by (used in) operating activities	18	(3,240)	41,068
Cash flows from investing activities	19	82,949	(85,777)
Change in cash and cash equivalents in the reporting period		<u>79,709</u>	<u>(44,709)</u>
Cash and cash equivalents at 1 September 2017		630,747	675,456
Cash and cash equivalents at 31 August 2018	20	<u>710,456</u>	<u>630,747</u>

1 Statement of Accounting Policies

1.1 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

1.2 Going concern

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

1.3 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.

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

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

- **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 there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

- **Donations**

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

- **Other income**

Other income, including the hire of facilities, is recognised in the 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'. 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'.

1.4 **Expenditure**

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

- **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.

1.5 **Tangible fixed assets**

Assets costing £3,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Long leasehold land	over 125 years
Long leasehold buildings	2%
Furniture & equipment	12.5% - 20%
Computer equipment and software	20%
Motor vehicles	20%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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.

1.6 Liabilities

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

1.7 Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.8 Leased assets

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

1.9 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 13. Prepayments are not financial instruments.

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

1.10 Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

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

1.11 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 an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.12 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 Department for Education Group.

1.13 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full

actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Donations and capital grants

	Unrestricted Funds £	Restricted Funds £	2018 Total £	2017 Total £
Capital grants	-	168,556	168,556	-
Devolved Formula Capital Grant	-	32,638	32,638	32,042
Other donations	53,256	-	53,256	105,399
	<u>53,256</u>	<u>201,194</u>	<u>254,450</u>	<u>137,441</u>

3 Funding for the academy trust's educational operations

	Unrestricted Funds £	Restricted Funds £	2018 Total £	2017 Total £
DfE/ESFA grants				
General Annual Grant (GAG)	-	2,933,655	2,933,655	2,905,272
Pupil Premium	-	202,688	202,688	187,469
Other DfE/ESFA grants	-	239,815	239,815	175,193
	<u>-</u>	<u>3,376,158</u>	<u>3,376,158</u>	<u>3,267,934</u>
Other income from the academy trust's educational operations				
	-	448,060	448,060	339,997
	<u>-</u>	<u>3,824,218</u>	<u>3,824,218</u>	<u>3,607,931</u>

4 Other Trading activities

	Unrestricted Funds £	Restricted Funds £	2018 Total £	2017 Total £
Facilities and services income	304,211	-	304,211	260,135
Educational trips and activities	32,638	-	32,638	37,500
Other income	2,972	-	2,972	14,080
	<u>339,821</u>	<u>-</u>	<u>339,821</u>	<u>311,715</u>

The Heath Academy Trust
Notes to the Financial Statements
For the Year Ended 31 August 2018

5 Investment income

	Unrestricted Funds £	Restricted Funds £	2018 Total £	2017 Total £
Short term deposits	390	-	390	553
	<u>390</u>	<u>-</u>	<u>390</u>	<u>553</u>

6 Expenditure

	Staff Costs £	Premises £	Other £	Total 2018 £	Total 2017 £
Academy's educational operations:					
Direct costs	3,097,190	-	328,862	3,426,052	3,113,352
Allocated support costs	569,659	273,924	571,983	1,415,566	1,241,972
Teaching School					
	<u>3,666,849</u>	<u>273,924</u>	<u>900,845</u>	<u>4,841,618</u>	<u>4,355,324</u>

Net income/(expenditure) for the period includes:

	2018 £	2017 £
Depreciation	181,180	165,231
Fees payable to auditor for:		
- audit	7,200	7,000
- other services	1,875	2,700

7 Charitable activities

	2018 £	2017 £
Direct costs - educational operations	3,426,052	3,113,352
Support costs - educational operations	1,415,566	1,241,972
	<u>4,841,618</u>	<u>4,355,324</u>

	2018 £	2017 £
Direct costs - educational operations		
Teaching and educational support staff	3,086,994	2,787,511
Agency and supply cover	10,196	37,455
Technology costs	6,041	15,240
Educational supplies	117,727	85,630
Educational consultancy	119,973	103,260
Trip costs	54,830	54,344
Other direct costs	30,291	29,912
Support costs - educational operations		
Support staff costs	569,659	428,883
Depreciation	181,180	165,231
Rent and rates	28,235	24,468
Energy costs	45,841	39,112
Insurance	9,955	12,877
Catering	130,681	123,476
Maintenance of premises and equipment	124,646	99,772
Cleaning	75,202	72,858
Technology	79,094	63,995
Legal and professional	107,221	136,969
Other support costs	54,702	61,081
Governance costs	9,150	13,250
	<u>4,841,618</u>	<u>4,355,324</u>

8 Staff

a. Staff costs

	2018	2017
	Total	Total
	£	£
Wages and salaries	2,683,121	2,423,042
Social security costs	196,704	179,910
Pension Costs	776,828	611,702
	<u>3,656,653</u>	<u>3,214,654</u>
Agency staff costs	10,196	37,455
Staff restructuring costs	-	1,740
	<u>3,666,849</u>	<u>3,253,849</u>
Staff restructuring costs comprise:		
Other restructuring costs	-	1,740
	<u>-</u>	<u>1,740</u>

b. Staff numbers

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

	2018	2017
	No.	No.
Teachers	47	49
Administration and support	130	114
Management	7	6
	<u>184</u>	<u>169</u>

c. Higher paid staff

	2018	2017
	No.	No.
£60,001 - £70,000	1	3
£70,001 - £80,000	<u>1</u>	<u>-</u>

d. Key management personnel

The key management personnel 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 and employer national insurance contributions) paid by the academy for key management personnel services to the academy trust was £480,291 (2017: £467,330).

9 Central Services

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

- Executive headteacher
- Professional and legal services
- Human resources services
- Financial services
- ICT software and services
- Premises maintenance services
- Curriculum enrichment services

The academy trust charges for these services based on a percentage of the General Annual Grant that each school received. The actual amounts charged during the period were as follows:

	2018 £	2017 £
St Ives Primary and Nursery School	34,150	26,926
St Mary's C of E First School	25,868	23,514
St James' C of E First School	17,348	19,702
Oakhurst Community First School and Nursery	29,236	26,253
Sixpenny Handley First School	18,663	18,370
Three Legged Cross First School	19,477	16,157
	144,742	130,922

10 Related party transactions – trustees' remuneration and expenses

One or more trustees have been paid remuneration or have received other benefits from an employment with the academy trust. The Executive Headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Executive Headteacher and staff members under their contracts of employment. The value of trustees' remuneration and other benefits was as follows:

J Horn, Accounting Officer and CEO	
Remuneration	£70,000 - £75,000 (2017: £65,000 - £70,000)
Employer's pension contributions	£10,000 - £15,000 (2017: £10,000 - £15,000)
L Crossley, Staff trustee	
Remuneration	£65,000 - £70,000 (2017: £45,000 - £50,000)
Employer's pension contributions	£10,000 - £15,000 (2017: £5,000 - £10,000)

During the year ended 31 August 2018, no expenses (2017: £nil) were reimbursed to the trustees.

11 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 insurance provides cover up to £10,000,000 on any one claim. The cost of this insurance is included in the total insurance cost.

12 Tangible fixed assets

	Leasehold Land and Buildings £	Leasehold Improve- -ments £	ICT Equipment £	Furniture and Equipment £	Total £
Cost					
At 1 September 2017	10,162,451	99,582	99,525	21,631	10,383,189
Additions	-	94,149	19,199	5,287	118,635
At 31 August 2018	<u>10,162,451</u>	<u>193,731</u>	<u>118,724</u>	<u>26,918</u>	<u>10,501,824</u>
Depreciation					
At 1 September 2017	247,597	4,681	24,195	5,186	281,659
Charged in year	141,480	14,326	20,343	5,031	181,180
At 31 August 2018	<u>389,077</u>	<u>19,007</u>	<u>44,538</u>	<u>10,217</u>	<u>462,839</u>
Net book values					
At 31 August 2017	<u>9,914,854</u>	<u>94,901</u>	<u>75,330</u>	<u>16,445</u>	<u>10,101,530</u>
At 31 August 2018	<u>9,773,374</u>	<u>174,724</u>	<u>74,186</u>	<u>16,701</u>	<u>10,038,985</u>

The academy trust occupies land and buildings provided to it by site trustees under a mere licence (also referred to as a Church Supplemental Agreement) which contains a two year notice period. Having considered the fact that the academy trust occupies land and buildings as may be, or may come to be, erected on it by a mere licence that transfers to the academy no rights or control over the site save that of occupying it at the will of the site trustees under the terms of the relevant site trust, the trustees of the academy trust have concluded that the value of the land and buildings occupied by the academy trust will not be recognised on the balance sheet of the academy trust.

13 Debtors

	2018 £	2017 £
Trade debtors	24,198	40,254
VAT recoverable	34,668	83,607
Prepayments and accrued income	91,878	93,541
	<u>150,744</u>	<u>217,402</u>

14 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	118,084	118,517
Other taxation and social security	49,061	44,377
Other creditors	73,904	49,381
Accruals and deferred income	151,686	125,215
	<u>392,735</u>	<u>337,490</u>
	2018	2017
	£	£
Deferred income at 1 September 2017	109,957	103,987
Released from previous years	(109,957)	(103,987)
Resources deferred in the year	130,520	109,957
Deferred income at 31 August 2018	<u>130,520</u>	<u>109,957</u>

At the balance sheet date the academy trust was holding funds received in advance for Universal Infant Free School Meals and Early Years funding for the autumn term 2018.

15 Funds

	Balance At 1 September 2017 £	Income £	Expenditure £	Gains, Losses and Transfers £	Balance At 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	112,879	2,933,655	(3,241,209)	261,605	66,930
Pupil Premium	-	202,688	(202,688)	-	-
Other DfE/ESFA grants	-	322,574	(301,111)	-	21,463
Teaching School	74,533	40,000	(48,221)	-	66,312
Other local authority grants	-	325,301	(325,301)	-	-
Pension reserve	(1,852,000)	-	(318,000)	393,000	(1,777,000)
	<u>(1,664,588)</u>	<u>3,824,218</u>	<u>(4,436,530)</u>	<u>654,605</u>	<u>(1,622,295)</u>
Restricted fixed asset funds					
Inherited fixed assets (restated)	9,939,298	-	(149,001)	-	9,790,297
DfE/ESFA capital grants	-	158,561	(210)	-	158,351
Capital expenditure from other restricted funds	117,762	42,633	(27,964)	43,188	175,619
	<u>10,057,060</u>	<u>201,194</u>	<u>(177,175)</u>	<u>43,188</u>	<u>10,124,267</u>
Total restricted funds	<u>8,392,472</u>	<u>4,025,412</u>	<u>(4,613,705)</u>	<u>697,793</u>	<u>8,501,972</u>
Unrestricted funds					
General	318,339	393,467	(223,909)	(306,903)	180,994
Capital expenditure	49,378	-	(4,004)	2,110	47,484
Total unrestricted funds	<u>367,717</u>	<u>393,467</u>	<u>(227,913)</u>	<u>(304,793)</u>	<u>228,478</u>
Total funds	<u>8,760,189</u>	<u>4,418,879</u>	<u>(4,841,618)</u>	<u>393,000</u>	<u>8,730,450</u>

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

	Balance At 1 September 2016 £	Income £	Expenditure £	Gains, Losses and Transfers £	Balance At 31 August 2017 £
Restricted general funds					
General Annual Grant (GAG)	129,078	2,905,272	(2,943,564)	22,093	112,879
Start Up Grant	50,914	-	(50,914)	-	-
Pupil Premium	-	187,469	(187,469)	-	-
Other DfE/ESFA grants	-	175,193	(175,193)	-	-
Teaching School	23,071	76,000	(24,538)	-	74,533
Other local authority grants	-	263,997	(263,997)	-	-
Pension reserve	(1,738,000)	-	(212,000)	98,000	(1,852,000)
	<u>(1,534,937)</u>	<u>3,607,931</u>	<u>(3,857,675)</u>	<u>120,093</u>	<u>(1,664,588)</u>
Restricted fixed asset funds					
Inherited fixed assets (restated)	10,088,299	-	(149,001)	-	9,939,298
DfE/ESFA capital grants	-	32,042	-	(32,042)	-
Capital expenditure from other restricted funds	44,117	69,204	(14,488)	18,929	117,762
	<u>10,132,416</u>	<u>101,246</u>	<u>(163,489)</u>	<u>(13,113)</u>	<u>10,057,060</u>
Total restricted funds	<u>8,597,479</u>	<u>3,709,177</u>	<u>(4,021,164)</u>	<u>106,980</u>	<u>8,392,472</u>
Unrestricted funds					
General	327,421	348,463	(332,418)	(25,127)	318,339
Capital expenditure	34,973	-	(1,742)	16,147	49,378
Total unrestricted funds	<u>362,394</u>	<u>348,463</u>	<u>(334,160)</u>	<u>(8,980)</u>	<u>367,717</u>
Total funds	<u>8,959,873</u>	<u>4,057,640</u>	<u>(4,355,324)</u>	<u>98,000</u>	<u>8,760,189</u>

15 Funds (continued)

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

General Annual Grant (GAG) – Funding from the Education and Skills Funding Agency to support the education and running costs of the academy. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Other DfE/ESFA grants – Grants from the Education and Skills Funding Agency to support PE activities and pupils from low income families and provide universal infant free school meals.

Other local authority grants – Funding from Dorset County Council towards specific projects.

Pension Reserve – This fund represents the pension deficit for the Local Government Pension Scheme and its associated costs for the period.

Inherited Fixed Assets – This fund is to recognise the value of the donated fixed assets at the conversion of the school to an Academy. The expenditure is the depreciation on those assets.

DfE/ESFA capital grants – This is funding from the DfE/ESFA to support capital projects undertaken by the academy.

Capital expenditure from other restricted funds – This represents the amount of Devolved Formula Capital Grant and other DfE/ESFA grants allocated towards capital and its associated depreciation.

General unrestricted – This represents funds which may be used towards meeting any of the charitable objectives of the academy trust at the discretion of the trustees.

Capital expenditure from unrestricted funds - This represents the amount of unrestricted funds allocated towards capital and its associated depreciation.

Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £	Total 2017 £
St Ives Primary School	124,027	141,337
Three Legged Cross First and Nursery School	32,056	74,949
Sixpenny Handley First School	18,323	73,547
St Mary's CE First School	53,643	41,680
Oakhurst Community First School and Nursery	35,058	105,529
St James' CE First School	41,392	5,220
Central Services	31,200	63,489
Total before fixed assets and pension reserve	<u>335,699</u>	<u>505,751</u>
Restricted fixed asset fund	10,124,267	10,057,060
Unrestricted fixed asset fund	47,484	49,378
Pension Reserve	(1,777,000)	(1,852,000)
Total	<u>8,730,450</u>	<u>8,760,189</u>

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £	Other Support Staff Costs £	Educational Supplies £	Other Costs (excluding Depreciation) £	Total 2018 £	Total 2017 £
St Ives Primary School	685,022	73,644	54,474	171,654	984,794	932,116
Three Legged Cross First and Nursery School	443,804	49,785	6,574	108,019	608,182	565,498
Sixpenny Handley First School	342,270	56,634	5,007	99,232	503,143	458,558
St Mary's CE First School	522,055	67,054	13,841	152,997	755,947	611,057
Oakhurst Community First School and Nursery	665,884	67,609	27,085	153,985	914,563	824,960
St James' CE First School	271,481	44,219	5,522	77,364	398,586	445,313
Central Services	23,400	35,988	5,225	112,612	177,225	140,591
Local Government Pension Scheme	143,274	174,726	-	-	318,000	212,000
Academy Trust	<u>3,097,190</u>	<u>569,659</u>	<u>117,728</u>	<u>875,863</u>	<u>4,660,440</u>	<u>4,190,093</u>

16 Analysis of net assets between funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Tangible fixed assets	47,484	-	9,991,501	10,038,985
Current assets	180,994	547,440	132,766	861,200
Current liabilities	-	(392,735)	-	(392,735)
Pension scheme liability	-	(1,777,000)	-	(1,777,000)
Total net assets	<u>228,478</u>	<u>(1,622,295)</u>	<u>10,124,267</u>	<u>8,730,450</u>

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

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Tangible fixed assets	49,378	-	10,052,152	10,101,530
Current assets	318,339	524,902	4,908	848,149
Current liabilities	-	(337,490)	-	(337,490)
Pension scheme liability	-	(1,852,000)	-	(1,852,000)
Total net assets	<u>367,717</u>	<u>(1,664,588)</u>	<u>10,057,060</u>	<u>8,760,189</u>

17 Commitments under operating leases

Operating leases

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

	2018 £	2017 £
Amounts due within one year	18,107	15,704
Amounts due between one and five years	28,738	24,604
Amounts due after five years	-	-
	<u>46,845</u>	<u>40,308</u>

18 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018	2017
	£	£
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(29,739)	(199,684)
Adjusted for:		
Depreciation charges (note 12)	181,180	165,231
Capital grants from DfE and other capital income	(201,194)	(32,042)
Interest receivable (note 5)	(390)	(553)
Defined benefit pension scheme costs (note 22)	(75,000)	114,000
(Increase)/decrease in debtors	66,658	(27,452)
Increase/(decrease) in creditors	55,245	21,568
Net cash provided by/(used in) operating activities	(3,240)	41,068

19 Cash flows from investing activities

	2018	2017
	£	£
Purchase of tangible fixed assets	(118,635)	(118,372)
Dividends, interest and rents from investments	390	553
Capital grants from DfE/ESFA and other capital income	201,194	32,042
Net cash provided by / (used in) investing activities	82,949	(85,777)

20 Analysis of cash and cash equivalents

	2018	2017
	£	£
Cash in hand and at bank	710,456	630,747
Total cash and cash equivalents	710,456	630,747

21 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 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 cease to be a member.

22 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 Somerset County Council. Both are multi-employer defined benefit schemes

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016. Contributions amounting to £48,680 were payable to the schemes at 31 August 2018 (2017: £47,314) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data whereupon the employer contribution rate is expected to be reassessed. The most recent communication received from the Department for Education suggested the new contribution rate is expected to be 23.6% payable from 1 September 2019.

The employer's pension costs paid to TPS in the period amounted to £238,000 (2017: £222,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £266,000 (2017: £234,000), of which employer's contributions totalled £205,000 (2017: £178,000) and employees' contributions totalled £61,000 (2017: £56,000). The agreed contribution rates for future years are 18.8 per cent for employers and 6.5 per cent for employees.

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

	2018	2017
Rate of increase in salaries	3.80%	4.20%
Rate of increase for pensions in payment/inflation	2.30%	2.70%
Discount rate for scheme liabilities	2.65%	2.60%
Inflation assumption (CPI)	2.30%	2.70%
Commutation of pensions to lump sums	50.00%	50.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectation on retirement age 65 are:

	2018	2017
<i>Retiring today</i>		
Males	24.0	23.9
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	26.3	26.2
Females	28.5	28.3

Sensitivity analysis

	2018	2017
	£	£
Discount rate +0.1%	3,216,000	3,027,000
Discount rate -0.1%	3,388,000	3,189,000
Mortality assumption - 1 year increase	3,409,000	3,208,000
Mortality assumption - 1 year decrease	3,197,000	3,009,000

The Heath Academy Trust
Notes to the Financial Statements
For the Year Ended 31 August 2018

The academy trust's share of the assets in the scheme were:

	2018	2017
	£	£
Equities	832,000	693,000
Gilts	191,000	167,000
Corporate bonds	105,000	142,000
Property	155,000	110,000
Cash and other liquid assets	14,000	33,000
Other	227,000	110,000
Total market value of assets	<u>1,524,000</u>	<u>1,255,000</u>

The actual return on scheme assets was £31,000 gain (2017: £147,000 gain).

Amounts recognised in the Statement of Financial Activities

	2018	2017
	£	£
Current service cost	(477,000)	(406,000)
Interest cost	(45,000)	(36,000)
Total amount recognised in the SOFA	<u>(522,000)</u>	<u>(442,000)</u>

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

	2018	2017
	£	£
At 1 September	(3,107,000)	(2,659,000)
Current service cost	(477,000)	(406,000)
Interest cost	(81,000)	(59,000)
Employee Contributions	(61,000)	(56,000)
Change in demographic assumptions	-	(91,000)
Experience loss/(gain) on defined benefit obligation	-	84,000
Estimated benefits paid net of transfers	27,000	20,000
Actuarial (gain)/loss	398,000	60,000
At 31 August	<u>(3,301,000)</u>	<u>(3,107,000)</u>

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

	2018	2017
	£	£
At 1 September	1,255,000	921,000
Interest income	36,000	23,000
Return on assets (less interest)	(5,000)	124,000
Other actuarial gains/(losses)	-	(26,000)
Administration expenses	(1,000)	(1,000)
Employer contributions	205,000	178,000
Employee contributions	61,000	56,000
Estimated benefits paid plus unfunded net of transfers	(27,000)	(20,000)
At 31 August	<u>1,524,000</u>	<u>1,255,000</u>

23 Related Party Transactions

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

Expenditure Related Party Transaction

During the year, the academy trust paid £2,091 to Crossley Kitchens Limited, a company controlled by the spouse of L Crossley (a trustee), for repair work at St Ives Primary School.

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

24 Teaching school trading account

	2018			2017		
	£	£	£	£	£	£
Income						
Direct Income						
Other Income		40,000		76,000		
Total Income			40,000			76,000
Expenditure						
Direct costs						
Other direct costs	36,197			1,386		
Total direct costs		36,197			1,386	
Other costs						
Support staff costs	11,627			20,125		
Other support costs	397			3,027		
Total other costs		12,024			23,152	
Total expenditure			(48,221)			(24,538)
Transfers between funds excluding depreciation						
Surplus/(Deficit)from all sources			(8,221)			51,462
Teaching school balances at 1 September 2017			74,533			23,071
Teaching school balances at 31 August 2018			66,312			74,533

25 Prior year Statement of Financial Activities

	Note	Unres- tricted £	Restricted General £	Restricted Fixed Asset £	2017 Total £
Income and endowments from:					
Donations and capital grants	2	36,195	-	101,246	137,441
Charitable activities:					
Funding for the academy trust's educational operations	3	-	3,531,931	-	3,531,931
Teaching schools	24	-	76,000	-	76,000
Other trading activities	4	311,715	-	-	311,715
Investments	5	553	-	-	553
Total		348,463	3,607,931	101,246	4,057,640
Expenditure on:					
Charitable activities:					
Academy trust educational operations	7	334,160	3,833,137	163,489	4,330,786
Teaching schools	24	-	24,538	-	24,538
Other		-	-	-	-
Total		334,160	3,857,675	163,489	4,355,324
Net income / (expenditure)		14,303	(249,744)	(62,243)	(297,684)
Transfers between funds	15	(8,980)	22,093	(13,113)	-
Other recognised gains / (losses):					
Actuarial (losses) / gains on defined benefit pension schemes		-	98,000	-	98,000
Net movement in funds		5,323	(129,651)	(75,356)	(199,684)
Reconciliation of funds					
Total funds brought forward		362,394	(1,534,937)	10,132,416	8,959,873
Total funds carried forward		367,717	(1,664,588)	10,057,060	8,760,189