

HEARTLANDS COMMUNITY TRUST

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

HEARTLANDS COMMUNITY TRUST

CONTENTS

	Page
Reference and Administrative Details	1 - 2
Trustees' Report	3 - 11
Governance Statement	12 - 16
Statement on Regularity, Propriety and Compliance	17
Statement of Trustees' Responsibilities	18
Independent Auditors' Report on the Financial Statements	19 - 20
Independent Reporting Accountant's Assurance Report on Regularity	21 - 22
Statement of Financial Activities Incorporating Income and Expenditure Account	23
Balance Sheet	24
Statement of Cash Flows	25
Notes to the Financial Statements	26 - 45

HEARTLANDS COMMUNITY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 AUGUST 2016

Members

Ms M McCarthy
Mr M Rosen
Dr H Hingley-Jones (resigned 12 July 2016)
Mr N Chambers (appointed 12 July 2016)

Trustees

Ms M McCarthy, Chair of Trustees¹
Mr M Rosen¹
Dr H Hingley-Jones
Ms R Powell (resigned 8 December 2015)
Mr S Garrill, Head Teacher and Accounting Officer¹
Ms C McCluskey (resigned 8 December 2015)
Mr T Castle (resigned 8 December 2015)¹
Ms B Heather (resigned 8 December 2015)
Mr A Lloyd (resigned 8 December 2015)
Mr J Dilger, Vice Chair
Mr J Twentyman (appointed 1 January 2016)
Ms R Suh (appointed 1 January 2016)
Ms S Roberts (appointed 1 January 2016)
Mr M Whitworth (appointed 4 February 2016)
Mr J Gainsborough (appointed 20 February 2016)

¹ Member of Finance Committee

Company registered number

08482398

Company name

Heartlands Community Trust

Principal and registered office

Heartlands High School
Station Road
Wood Green
London
N22 7ST

HEARTLANDS COMMUNITY TRUST

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

Advisers (continued)**Company secretary**

Mr G Cooper

Senior management team

Mr S Garrill, Chief Executive
Ms E Roberts, Head of School
Ms E Emmerson, Deputy Headteacher
Mr J Nagle, Deputy Headteacher
Mr H Levis, Assistant Headteacher
Mr A Greenwood, Assistant Headteacher
Ms M Arabas, Assistant Headteacher
Dr R Barr, Director of Finance and Business Development

Independent auditors

MHA MacIntyre Hudson
Chartered Accountants
Euro House
1394 High Road
London
N20 9YZ

Bankers

NatWest Bank PLC
London
W1B 3PB

Solicitors

Stone King LLP
16 St John's Lane
London
EC1M 4BS

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2016

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

The Trust operates an academy for pupils aged 11 to 16 serving a catchment area in Wood Green, North London. It has a pupil capacity of 1054 and had a roll of (XXX) on the school census in October 2016. Our Pupil Admission Number is 216. We have also 28 students in a resourced Autism Provision.

Structure Governance and Management

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the academy trust.

The Trustees of Heartlands Community Trust are also the Directors of the charitable company for the purposes of company law. The charitable company is known as the Heartlands Community Trust (HCT).

Details of the Trustees who served throughout the year are included in the Reference and Administrative Details on page 1.

Members Liability

Each member of the charitable company undertakes to contribute to the assets of the 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.

Trustees Indemnities

The academy has joined the Governments Risk Protection Arrangement (RPA). Trustees are covered for the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the academy.

Method of Recruitment and Appointment or Election of Trustees

On 1 January 2016 following a review and external consultation, a new governance structure was adopted and implemented to support the transition to a Multi-Academy Trust. Following the changes, the recruitment and appointment/election of Trustees changed. Further details of the governance re-structure is described in Organisational Structure on page 4

From 1 September 2015 to 31 December 2015 Trustees were elected or appointed as follows:

- up to eight Trustees appointed by the Members;
- a minimum of two Parent Trustees elected;
- three Staff Trustees appointed or elected;
- One Local Authority appointed Trustee; and
- the Chief Executive - ex-officio.

The term of office for any Trustee was 4 years (excluding the Headteacher) and at the end of that term Trustees were eligible for re-appointment/election for one further term.

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

From 1 January 2016 Members, Trustees, Chair and Vice-Chair are elected or appointed as follows:

- a minimum of three Members at any one time;
- a minimum of three Trustees and a maximum of 10 to be appointed by the Members;
- at least two Parent Trustees elected by the Parent Local Governors, unless there are two Parent Local Governors sitting on each Local Advisory Board;
- the Executive Headteacher (CEO);
- staff Trustees if any are appointed by the Members (provided that a total number of Trustees including the CEO who are employees of HCT must not exceed one third of the total number of Trustees);
- co-opted Trustees (appointed by Trustees who are not themselves co-opted); and
- Trustees to elect each school year a Chair and Vice-Chair (Staff Trustees are not eligible).

The time limit for any Trustee continues to be for four years (this does not apply to any ex officio post). Subject to Trustees remaining eligible to be a particular type of trustee, they may be re-appointed/elected at a general meeting.

The Board as a whole take responsibility for ensuring that:

- the skills of any new Trustees fit in with the Trust's requirements in the short, medium and long term;
- each Trustee is eligible to become a Trustee and is not disqualified from doing so (including the requirement that they are not disqualified from being a Charity Trustee or a Company Director or from the provisions of the Trust's Articles);
- all relevant checks are made including an enhanced Disclosure and Barring Service (DBS) check; Trustees are also asked to sign a Trustee Declaration of Eligibility and a Declaration of Business Interests; and
- Trustees understand their role and responsibilities they are taking on and consent to act as trustees.

Most recent Trustee recruitment was supported by SGOSS (School Governors One Stop Shop), the independent charity dedicated to recruiting volunteers to serve on school boards across England. Future Trustee recruitment will be focussed locally along with the support of Education and Employers Taskforce, a national based charity supporting school trustee recruitment.

Policies and Procedures Adopted for the Induction and Training of Trustees

Each new Trustee is given an induction programme that includes briefing with the Executive Headteacher (CEO), Senior Leadership Team, Chair and Clerk that includes a tour of the school and the chance to observe lessons. Relevant school documents are provided such as the Articles of Association; Scheme of Governance; Decision Making Matrix; past 3 years copies of the annual report and financial statements; past board papers; school(s) prospectus and a copy of the Trust's strategic plan.

Ongoing training and development is supported and encouraged; with Trustees attending Local Authority provided training as well as training and briefings from organisations such as the National Governors Association and The Key. Trustees annually complete a skills audit identifying potential gaps in skills and experience which will help inform individual and collective training needs.

Organisational Structure

Structure from 1 January 2016

On 1 January 2016, following a review and external advice, a new governance structure was established to support the transition into a Multi-Academy Trust. In order to ensure the proper management of the Trust, the Trustees have delegated specific responsibilities and tasks. In doing this the Trustees ensured that their non-executive powers are exercised by themselves personally and are not delegated; except when it is impracticable to do so, those powers are delegated to the Executive Headteacher (CEO), Heads of School and the Director of Finance and Business Development.

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

Delegation from strategic governance through to the operational management within the Trust is as follows:

Executive Headteacher (CEO) - to provide professional leadership, strategic management and direction for the Academy Trust including:

- internal organisation, management and control of the academies;
- advising on and implementing HCT's strategic framework;
- implementation of all policies approved by the Trustees;
- directing the Head of School(s) in operational and educational standard matters;
- Formulating aims and objectives, policies and targets for the Trustees to consider and report on progress; and
- preparation of the annual curriculum policy and the review.

The Executive Headteacher (CEO) also has responsibility as the Accounting Officer ensuring:

- financial regularity and propriety; ensuring legal compliance;
- prudent and economical administration; efficient and effective use of resources; and
- day to day organisation, staffing and management of the Trust.

Director of Finance and Business Development – to guide the Trustees on all financial, audit and resource matters and operational management of the financial position including:

- day to day management of financial and resource issues;
- preparation and management of the Trust's budgets;
- maintenance of effective systems of internal control; and
- ensuring the annual accounts are presented and adequately supported by the processing systems and reporting frameworks.

Head of School(s): responsible for the day to day operational management of their school including:

- internal organisation, management and control of his or her respective school;
- implementation of all relevant policies approved by the Trustees; and
- direction of the teaching and implementation of the curriculum.

Structure from 1 September 2015 to 31 December 2015

From the period 1 September 2015 to 31 December 2015 the Board of Trustees - Heartlands Governing Body were responsible for the conduct of the school and for promoting high standards of achievement including:

- providing a strategic direction, establishing the vision and aims of the school;
- agreeing and reviewing the school's improvement strategy; setting targets, budgets and staffing structures;
- monitoring and evaluating the performance of the school, implementation of policies;
- ensuring parents and carers are involved, consulted and informed;
- holding the Headteacher to account for the performance of the school and the implementation of the strategic framework established by the Governing Body; and
- establishment of the Audit Committee, Chair's Committee, Finance and General Purposes Committee, Standards and Achievement Committee, and the Pay and Performance Committee.

The Governing Body delegated the responsibility for the day to day running of the school to the Senior Leadership Team which included: Executive Headteacher (Accounting Officer), two Deputy Head Teachers and four Assistant Head Teachers.

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Trustees determine a structure of posts paid on the leadership scale to meet the strategic needs of the school. Teachers paid on the leadership spine will have their salaries set, following appraisals, having regard to consideration of comparability with Part 2 of the School Teachers Pay and Conditions Document, (STPCD), prudent use of Trust resources and market factors

The pay and performance of the Executive Headteacher (CEO) is reviewed annually by the Pay and Performance Committee. Membership includes: Chair of the HCT Board, Chair of the Finance and Resources (including Audit) Committee and one other Trustee. An external consultant is appointed to manage the process, reviewing the Executive Headteacher's (CEO's) performance based upon agreed key aims, aims, objectives and performance indicators set. The Pay and Performance Committee receive a report, discuss with the Executive Headteacher (CEO) and consultant the outcomes of that report and supporting evidence and make recommendations for pay and remuneration to the Finance and Resources (inc. Audit) Committee.

Related Parties and other Connected Charities and Organisations

There are no connected organisations or related party relationships.

Objectives and Activities

Our principal aim is to create a strong commitment to learning. This is described in The Heartlands Community Trust memorandum and articles of association as:

- advancing for the public benefit education, by establishing, maintaining, carrying on, managing and developing schools; and
- promoting for the benefit of the inhabitants of the London Borough of Haringey and the surrounding area, the provision of facilities for recreation or other leisure time occupation.

The work of Heartlands Community Trust and constituent schools are underpinned by the following:

Our Vision

Our schools and staff nurture a commitment to learning through developing schools with a strong ethos, outstanding achievement, high quality teaching and learning and exciting partnerships.

Ethos

Our schools ensure that children and young people are valued as individuals and enjoy their learning. Structured approaches to behaviour strategies provide children, young people, parents and staff with clear policies within a no excuses culture. We create value systems in school that support character development.

Outstanding Achievement

We encourage the highest of expectations in relation to academic attainment and pastoral attainment by creating well rounded young people with the social capital to succeed.

High quality teaching and learning

We create a curriculum that places a priority on success across English, maths, science, languages and humanities, without impacting on the arts. We inspire our children and young people to ask questions, to interrogate and to love to learn. Where children and young people need support we act with early intervention.

Partnerships that benefit all of our students

We value, and build strong and productive links with our Local Authorities by encouraging our schools to play a central role within their own communities

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

Objectives, Strategies and Activities

Plans for this period were to ensure the achievement of all students, including the most able, Caribbean boys and students with SEND:

- secure rapid progress across Key Stage 3 and Key Stage 4;
- respond to changes in assessment by devising a clear new system;
- ensure that teaching is of a consistently high standard;
- ensure that outstanding behaviour leads to outstanding attendance and punctuality;
- develop a culture of student leadership;
- develop a competency based curriculum that fosters Spiritual, moral, social and cultural development;
- ensure outstanding vertical tutoring;
- ensure outstanding communication with parents;
- monitor teaching and learning to ensure continuous development;
- ensure all students are well equipped for the next stage of their education; and
- promote Health and wellbeing of staff.

Public Benefit

The Governors of the Academy Trust have complied with their duty to have due regard to the guidance on Public Benefit published by the Charity Commission in exercising their powers and duties. The activities undertaken to further the Academy Trust's purpose for the Public Benefit include: setting up, maintaining, and carrying on managing and developing a school offering a broad and balanced curriculum.

STRATEGIC REPORT

Achievements and Performance

The Heartlands Community Trust has been successful in entering the pre opening phase for a new school for autism. The school for 104 students will be in Haringey. Work has continued to look for a suitable location for the school. Structures have been put in place to ensure that the Trust can support two schools effectively.

Heartlands High School teaches young people from the age of 11-16. In 2015/2016 the school returned its second set of GCSE results, delivering upon its aim to ensure outstanding achievements for students within the Trust. Accountability measures differ from the previous Year. The school has achieved a progress 8 figure of 0.48 for this academic Year based upon unvalidated data. Students at Heartlands High School make progress at rates well beyond the national average. The progress of this group of students was particularly pleasing as they arrived with National Curriculum Levels that were well below the national average. The percentage of students achieving an A*-C grade in English and mathematics was up to 66% from 64% the previous Year

The ethos within the school remains an area of strength. The school is a disciplined and well organised environment reflecting the vision of the Trust. Attendance at Heartlands High School was above the National average at 94.7%. The school remains popular and oversubscribed within the local community and has an inclusive and caring atmosphere. The launch of the new character programme and a comprehensive focus upon enrichment has ensured that there is real depth.

There has been a renewed focus upon developing CPD for teachers and for leaders within the school with a clear focus upon developing the highest standards of teaching and learning.

This period saw the school receive a 'good' judgment from Ofsted.

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

Key Performance Indicators

The 2016 results of Heartlands High School pupils were a significant improvement on those for 2015 and continued to be well above national averages and are close to the best of any Haringey secondary.

- students achieving 3 Levels of progress from KS2 KS4 were well above the national average;
- students achieving 4 levels of progress from KS2 KS4 were well above national averages;
- students achieving 5A* C including English and Maths 66% were well above national averages;
- attendance 95%. was above national averages; and
- Exclusions below national average.

	2015-16	2014-15	Benchmark – similar academies 2014-15
Total General Annual Grant income per pupil/Average number of students			
£7,123,763/1022 Students =	£ 6,970	£ 7,028	£ 7,629.05
Teaching Staff costs per Pupil			
£4,397,343/1022 pupils =	£ 4,302	£ 3,870	£ 4,289.51
Support Staff Costs per Pupil			
£2,891,587/1022 Pupils =	£ 2,829	£ 2,301	£ 2,094.95
Total Staff Costs per pupil			
£7,288,930/1022 Pupils =	£ 7,132	£ 6,172	£ 6,384.46
Teaching staff costs as percentage of Total Educational Income			
£4,397,343/£9,264,835 =	47%	42%	48%
Support staff costs as percentage of Total Income			
£2,891,587/£9,264,835 =	31%	25%	23%

Going Concern

After making appropriate enquiries, the Governing Body 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 Trust's recurrent income is obtained from the EFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

The Governing Body accepts managed risk as an inevitable part of its operations but maintains an objective not to run unacceptable levels of risk in any area. The subjective nature of this process requires major risks to be resolved by the Governing Body collectively, whilst more minor risks are dealt with by senior Executive Officers

Reserves Policy

Heartlands has a policy that state the trust's policy for building and maintaining reserves. This policy assists the school in its strategic planning on either long term or short term goals. The target range for free non earmarked reserves is 2% to 7% of income which equates to £200,000 to £700,000.

Trustees can review the reserves amount at any time and why they are held. It should identify the value of free reserves held (being the income funds that are freely available for general purposes which, under the SORP, would generally be unrestricted funds) and may also disclose information on the policy and level of other reserves (e.g. restricted general funds).

Disclosure of funds in deficit is also included in the Funds Note in the financial statements (note 16 in the Heartlands Community Trust Model).

At 31 August 2016 the total funds comprised

Unrestricted		£287,589
Restricted:	Fixed asset funds	£27,562,856
	Pension reserve	£(1,113,000)
	Restricted income fund	<u>£789,286</u>
		<u>£27,526,731</u>

The deficit on the pension reserve relates to the non- teaching staff pension scheme where, unlike the teachers scheme, separate assets are held to fund future liabilities as discussed in note 20. The deficit can be met in the longer term from any combination of increased employer or employee contributions, increased government funding or changes to scheme benefits. The restricted funds will be spent in accordance with the terms of the particular funds. Unrestricted funds are for use on the general purposes of the Academy, at the discretion of the Governors. The aim of the Governors is to increase this reserve to meet future working capital requirements

Investment Policy

The Trust currently only invests in the low risk bank deposit accounts, which offers the flexibility to invest across a range of accounts' terms in order to balance liquidity and return. We will draft an in depth Investment policy when the need is there and when the Trust is a position to do so.

Principal Risks and Uncertainties

The Governing Body has reviewed the key risks to which the Academy Trust is exposed together with the operation, finance and compliance controls that have been implemented to mitigate those risks.

The principal risks facing the Academy are:

- **Reputational risk** – mitigated by marketing strategy, active and experienced trustees and a clear strategic plan.
- **Performance risk** – mitigated by clear strategic plan, robust self evaluation and KP analysis at Board level, strong reporting systems and an experienced leadership group.

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

- **Financial risk** – the principal financial risks are a reduction in pupil numbers, reduction in central government funding, unbudgeted increase in teaching or support staff costs, or unbudgeted major capital repairs. The risks presented here are mitigated by having a clear marketing strategy for the school ensuring that it remains oversubscribed on preferences. In addition, robust financial regulations and a strong process of budget monitoring ensures appropriate scrutiny of accounts. There effective external and internal controls in place.
- **Risks associated with Personnel** – mitigated by clear succession planning for leadership and governance roles.

The Academy Trust practices through its Board and the constituted committees, risk management principles. Any major risks highlighted at any committee are brought to the main Board with proposed mitigating actions and they continue to be reported until the risk is adequately mitigated

Plans for Future Periods

The Objectives, Strategies and Activities based on our most recent self evaluation and revised strategic plan are:

To ensure outstanding leadership and management across the Trust by:

- ensuring Governors continue to systematically challenge senior leaders so that the effective deployment of staff and resources, including SEND funding, secures excellent outcomes for pupils;
- ensuring Leaders and Governors have a deep, accurate understanding of the school's effectiveness informed by the views of pupils, parents and staff;
- developing the leadership of the SEARCH ethos to have a greater impact across the school;
- ensuring safeguarding is effective. Leaders and managers have created a culture of vigilance where pupils' welfare is actively promoted;
- leading changes on curriculum and assessment;
- exploring Business case for the Sixth Form; and
- developing communication at all levels in the school which is of the highest quality and is effective.

To ensure outstanding outcomes for pupils by:

- ensuring that across the English and Maths curriculum current pupils continue to make and exceed expected progress;
- ensuring that across the curriculum, current pupils make and exceed expected progress;
- ensuring that the progress of all groups including SEND pupils, is exceeding national averages and the gap between the progress of SEND pupils and Non SEND pupils is closing;
- developing pupils' understanding of their abilities and strengths in different subjects and can identify their areas for development;
- securing the impact of Literacy interventions throughout the school; develop readers who read widely and to a high standard; and
- ensuring pupils are exceptionally well-prepared for the next stage of their education, training or employment and have attained relevant qualifications.

To ensure outstanding personal development, behaviour and welfare for students by:

- continuing to develop pupils' conduct by promoting the highest standards of behaviour; to ensure incidences of low-level disruption are extremely rare and pupils are self-disciplined;
- ensuring there is sustained improvement in pupils' behaviour, for individuals or groups with particular needs,
- ensuring pupils have an excellent understanding of how to stay safe online and of the dangers of inappropriate use of mobile technology and social networking sites;
- developing pupils' ability to explain accurately and confidently how to keep themselves healthy;
- improving pupils approach to preventing all forms of bullying, including online bullying and prejudice-based bullying;
- improving attendance to over 95%; showing pupils value their education and rarely miss a day at school. Ensure no groups of pupils are disadvantaged by low attendance;

HEARTLANDS COMMUNITY TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

- developing pupils' spiritual, moral, social and cultural development and, within this, the promotion of fundamental British values; and
- reviewing the transition programme for pupils into Year 7; plan transition for 2015-16.

To ensure outstanding learning and achievement in our school by:

- improving all areas of learning to promote outstanding outcomes and create, eager curious learners who are resilient to failure through determined teaching;
- ensuring teacher planning and delivery is data led to develop effective in-class intervention;
- planning and deliver effective support and challenge in lessons to ensure all pupils make outstanding progress;
- developing use of the application stage to engage learners in extended/independent learning, to allow time for 'practice' and mastering skills;
- ensuring that assessment in all lessons, and over time, is used systematically to shape the learning to ensure outstanding progress;
- ensuring all home learning is challenging and deepens students understanding of work to come; and
- supporting all staff to develop professionally and encourage a love of learning within an environment which encourages staff to be innovative and take risks in their learning.

We are planning to open our new school for autism as a Free School in September 2017. We aim to begin building as a multi academy trust adding local primary and secondary schools over the next year.

Approved by order of the members of the Board of Trustees on 13/12/16 and signed on its behalf, by:


Ms M McCarthy
Chair of Trustees

HEARTLANDS COMMUNITY TRUST

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As trustees, we acknowledge we have overall responsibility for ensuring that Heartlands Community 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 Headteacher, 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 Heartlands Community 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.

During the period 1 September 2015 to 31 December 2015 the Board of Trustees formally met:

- Heartlands Governing Body- Board of Trustees (HGB) twice;
- Chair's Committee once
 - o a sub-committee of the main Board of Trustees to ensure accountability and cohesion across the various sub-committees; identifying key priorities/areas for development
- Standards and Achievement (S&A) Committee once
 - o a sub-committee of the main Board of Trustees to provide advice and support on curriculum issues and monitor progress of achievement
- Finance and General Purposes (F&GP) Committee (inc. Audit) once
 - o a sub-committee of the main Board of Trustees to provide advice and support on matters relating to the strategic oversight of financial and staffing strategy, management and policies; risk management; ensured legal compliance; facilities and Health and Safety management
- Pay and Performance (P&P) Committee once
 - o a sub-committee of the main Board of Trustees to review the pay and performance of the Executive Headteacher (CEO)

Attendance was as follows:

	HGB	Chair's	S&A	F&GP	P&P
Andrew Lloyd	2/2	X	X	1/1	X
Bolu Heather	1/2	X	1/1	X	X
Catherine McCluskey	2/2	X	1/1	X	X
Helen Hingley-Jones	2/2	1/1	1/1	X	X
Joe Dilger	2/2	1/1	X	1/1	1/1
Marianne McCarthy	2/2	1/1	X	1/1	1/1
Michael Rosen	2/2	X	X	1/1	1/1
Ruth Powell	2/2	X	1/1	X	X
Simon Garrill	2/2	1/1		1/1	1/1
Toby Castle	1/2	X	X	1/1	X

HEARTLANDS COMMUNITY TRUST

GOVERNANCE STATEMENT (continued)

During the period 1 January 2016 to 31 August 2016 the Board of Trustees and the Local Advisory Boards met:

- Heartlands Community Trust (HCT) Board; three times to:
 - o determine the vision and values, strategic plan, annual objectives and targets for the Trust and monitors achievement against them Ensures probity and the fulfilment of statutory and regulatory responsibilities; and
 - o determine the arrangements for setting of key policies; appoint the Executive Headteacher (CEO) and the Head of School(s) and set arrangements for their performance management
- Heartlands High School Local Advisory Board (HHS LAB;) three times to:
 - o carry forward the Trust's vision in a way that is appropriate to the specific qualities and community characteristics of the School(s);
 - o ensure that standards of achievement are high; monitor and evaluate the work of the School systematically in relation to student performance, student behaviour, staff performance, self evaluation and improvement, budget and financial performance and community cohesion; and
 - o act as a critical friend to the School(s) and Head of School(s).
- Finance and Resources F&R (inc. Audit) Committee; twice:
 - o finance: oversight of, and advice and support to the Board on matters relating to financial management, strategy and policies [including setting of annual budgets and detailed oversight of in-year financial performance]; the safeguarding and use of assets/resources; ensuring that the Trust operates within the law and regulatory environment in relation to its finances and its role as an employer; and compliance with legislation relating to Health & Safety; and
 - o audit: oversight of, and advice to the Board on the adequacy and effectiveness of: systems of risk management and internal control; the Trust's audit strategy and the appointment, dismissal and remuneration of internal and financial statements auditors; the scope and objectives of the work of the internal auditor and financial statements auditor; monitoring of actions to address audit findings; and ensuring that all allegations of fraud and irregularity are appropriately investigated and that control weaknesses addressed.
- Pay and Performance Committee:
 - o To review the pay and performance of the Executive Headteacher (CEO).

HEARTLANDS COMMUNITY TRUST

GOVERNANCE STATEMENT (continued)

Attendance was as follows:

	HCT Board	HHS LAB	F&R
Andrew Lloyd	X	3/3	X
Anna Douglas	X	3/3	X
Bolu Heather	X	3/3	X
Craig Pattinson	X	2/3	2/2
Elen Roberts	X	3/3	X
Helen Hingley-Jones	1/3	X	X
Jeff Twentyman	2/3	X	X
Joe Dilger	2/3	X	2/2
Judith Gainsborough	2/2	X	X
Marianne McCarthy	3/3	3/3	2/2
Maxine Apcher	X	2/2	X
Michael Rosen	3/3	X	2/2
Michael Whitworth	0/3	X	X
Nick Chambers	1/1	X	X
Rebecca Boyle-Suh	3/3	X	X
Sian Roberts	1/3	X	X
Simon Garrill	3/3	X	2/2
Toby Castle	X	3/3	X

The aim of the governance review and the subsequent new structure was to:

- support the transition into a multi-academy trust, providing a framework to take on further schools/academies;
- ensure greater accountability and transparency; and
- support and improve challenge to the Executive Headteacher (CEO) and the Senior Leadership Teams.

The Trustees are committed to a process on continuous improvement in their effectiveness, both in terms of their individual and collective responsibilities. Skills audits are conducted annually and training and development is targeted to support any gaps; an annual training and development day is held; Members, Trustees and members of the Local Advisory Boards are encouraged and supported to attend training and development events.

A review will be conducted during 2016/17 on the effectiveness of the new structure.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy 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 Heartlands Community Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

HEARTLANDS COMMUNITY TRUST

GOVERNANCE STATEMENT (continued)

CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the Academy 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 ongoing process for identifying, evaluating and managing the Academy's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

THE RISK AND CONTROL FRAMEWORK

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint MHA MacInyre Hudson as internal auditor.

The Internal Auditor's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems.

In particular, it includes:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations

On a quarterly basis, the Internal Auditor reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

During the period, a system has been developed whereby the Internal Auditor reports to the Board of Trustees, through the Audit Committee, on a termly basis on the operation of the systems of control and on the discharge of the Board of Trustees financial responsibilities.

HEARTLANDS COMMUNITY TRUST

GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Headteacher 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 Internal Auditor;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

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

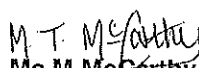
REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Headteacher has responsibility for ensuring that the Academy 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'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 has delivered improved value for money during the year by:

- Continuing high investment in:
 - o staff development and training - link to promoters of best practice nationally;
 - o rigorous performance management - self-review and regular external evaluation; and
 - o strong assessment systems to identify individual student need and direct management initiative for improvement and intervention.
- New investment in:
 - o literacy and numeracy specialists and revised strategies for literacy and numeracy based on national best practice;
 - o reorganised and additionally trained teaching assistant support to provide specialist support across the school provision map and especially in English and Mathematics;
 - o specific intervention initiatives for identified target groups to further improve rates of progress including for African Caribbean boys, free school meals students and SEN students;
 - o revised and strengthened senior and middle management structures with specific accountabilities for driving regular assessment of student progress and effective intervention based on it;
 - o review and revision of the competency basis curriculum to enable the school and students to maximise performance in the light of revised national requirements.; and
 - o back office systems to provide efficient systems to support Heartlands High School and the capacity to support the activities of a growing multi academy trust

Approved by order of the members of the Board of Trustees on 13 /12 /16 and signed on their behalf, by:


Ms M McCarthy
Chair of Trustees


Mr S Garrill
Accounting Officer

HEARTLANDS COMMUNITY TRUST

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



Mr S Garrill
Accounting Officer

Gn 13/12/16

HEARTLANDS COMMUNITY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who act as Governors of Heartlands Community Trust and are also the Directors of the charitable company for the purposes of company law) are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

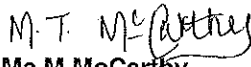
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting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

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 EFA/DfE have been applied for the purposes intended.

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

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


Ms M McCarthy
Chair of Trustees

Date: 13/12/16

HEARTLANDS COMMUNITY TRUST

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE TRUSTEES OF HEARTLANDS COMMUNITY TRUST

We have audited the financial statements of Heartlands Community Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities Incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

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

HEARTLANDS COMMUNITY TRUST

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE TRUSTEES OF
HEARTLANDS COMMUNITY TRUST**

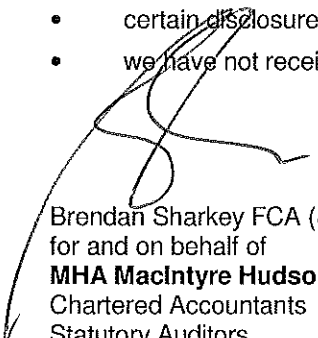
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Brendan Sharkey FCA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

Euro House

1394 High Road

London

N20 9YZ

Date: 15th December 2016 .

HEARTLANDS COMMUNITY TRUST

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEARTLANDS COMMUNITY TRUST AND THE EDUCATION FUNDING AGENCY

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

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

RESPECTIVE RESPONSIBILITIES OF HEARTLANDS COMMUNITY TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The accounting officer is responsible, under the requirements of Heartlands Community Trust's funding agreement with the Secretary of State for Education dated 30 March 2012, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

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

HEARTLANDS COMMUNITY TRUST

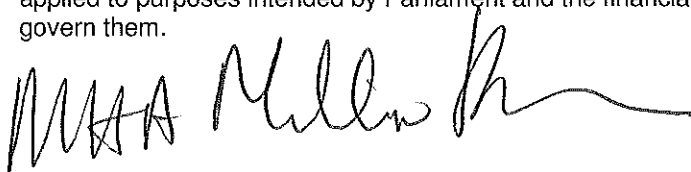
INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HEARTLANDS COMMUNITY TRUST AND THE EDUCATION FUNDING AGENCY (continued)

The work undertaken to draw to our conclusion includes:

- reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us, relevant to our consideration of regularity
- a review of the objectives and activities of the Academy, with reference to the income streams and other information available to us as auditors of the Academy
- testing of a sample of payroll payments to staff
- testing of a sample of payments to suppliers and other third parties
- testing of a sample of grants received and other income streams
- evaluating the internal control procedures and reporting lines, testing as appropriate and making appropriate enquiries of the Accounting Officer.

CONCLUSION

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



Reporting Accountant

MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
Euro House
1394 High Road
London
N20 9YZ

Date: 15th December 2016 .

HEARTLANDS COMMUNITY TRUST

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

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
INCOME FROM:						
Donations and capital grants	2	150	-	20,335	20,485	17,950
Charitable activities	5	-	9,264,835	-	9,264,835	9,146,113
Other trading activities	3	346,002	200,000	-	546,002	123,127
Investments	4	5,219	-	-	5,219	3,904
TOTAL INCOME		351,371	9,464,835	20,335	9,836,541	9,291,094
EXPENDITURE ON:						
Charitable activities		192,370	9,555,581	654,710	10,402,661	8,879,803
TOTAL EXPENDITURE	6	192,370	9,555,581	654,710	10,402,661	8,879,803
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	16	159,001	(90,746)	(634,375)	(566,120)	411,291
		-	(184,886)	184,886	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		159,001	(275,632)	(449,489)	(566,120)	411,291
Actuarial gains/(losses) on defined benefit pension schemes	20	-	(717,000)	-	(717,000)	32,000
NET MOVEMENT IN FUNDS		159,001	(992,632)	(449,489)	(1,283,120)	443,291
RECONCILIATION OF FUNDS:						
Total funds brought forward		128,588	668,918	28,012,345	28,809,851	28,366,560
TOTAL FUNDS CARRIED FORWARD		287,589	(323,714)	27,562,856	27,526,731	28,809,851

The notes on pages 26 to 45 form part of these financial statements.

HEARTLANDS COMMUNITY TRUST
REGISTERED NUMBER: 08482398

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£	2016 £	2015 £
FIXED ASSETS				
Tangible assets	12		27,562,856	28,012,345
CURRENT ASSETS				
Stocks	13	15,779	-	
Debtors	14	334,913	396,997	
Cash at bank and in hand		1,643,747	1,886,936	
		<u>1,994,439</u>	<u>2,283,933</u>	
CREDITORS: amounts falling due within one year	15	(917,564)	(1,168,427)	
NET CURRENT ASSETS			<u>1,076,875</u>	<u>1,115,506</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>28,639,731</u>	<u>29,127,851</u>
Defined benefit pension scheme liability	20		<u>(1,113,000)</u>	<u>(318,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>27,526,731</u>	<u>28,809,851</u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds	16	789,286	986,918	
Restricted fixed asset funds	16	27,562,856	28,012,345	
Restricted income funds excluding pension liability		28,352,142	28,999,263	
Pension reserve		<u>(1,113,000)</u>	<u>(318,000)</u>	
Total restricted income funds			<u>27,239,142</u>	<u>28,681,263</u>
Unrestricted income funds	16		<u>287,589</u>	<u>128,588</u>
TOTAL FUNDS			<u>27,526,731</u>	<u>28,809,851</u>

The financial statements were approved by the Trustees, and authorised for issue, on 13/12/16 and are signed on their behalf, by:


M McCarthy
Chair of Trustees


S Garrill
Accounting Officer

The notes on pages 26 to 45 form part of these financial statements.

HEARTLANDS COMMUNITY TRUST

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	18	<u>(43,187)</u>	<u>1,735,067</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		5,219	3,904
Purchase of tangible fixed assets		<u>(205,221)</u>	<u>(548,543)</u>
Net cash used in investing activities		<u>(200,002)</u>	<u>(544,639)</u>
Change in cash and cash equivalents in the year		<u>(243,189)</u>	<u>1,190,428</u>
Cash and cash equivalents brought forward		<u>1,886,936</u>	<u>696,508</u>
Cash and cash equivalents carried forward	19	<u><u>1,643,747</u></u>	<u><u>1,886,936</u></u>

HEARTLANDS COMMUNITY TRUST

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

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

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

Heartlands Community Trust constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of Heartlands Community Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Heartlands Community Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 23.

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 Academy 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 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.

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

1. ACCOUNTING POLICIES (continued)

1.3 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Academy has entitlement to the funds, probability of receipt and the amount can be measured with sufficient reliability.

Grants Receivable

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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Donations

Donations are recognised on a receivable basis where there are no performance related conditions, there is probability of receipt and the amount can be reliably measured.

Other income

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

Donated Services and Gifts in Kind

The value of donated services and gifts in kind provided to the Academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy's policies.

1.4 Resources expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs. Termination payments are made when employment is terminated by the academy before the normal retirement date, or where an employee accepts redundancy in exchange for termination payments.

Charitable activities

These are costs incurred in the Academy's educational operations.

All resources expended are inclusive of irrecoverable VAT.

HEARTLANDS COMMUNITY TRUST

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

1. ACCOUNTING POLICIES (continued)

1.5 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Assets transferred on conversion have been included at the estimated depreciated replacement cost.

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.

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.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	2% - 10% per annum straight line
Plant and machinery	-	10% - 20% per annum straight line
Motor vehicles	-	20% per annum straight line
Office equipment	-	20% - 33% per annum straight line
Computer equipment	-	33.3% per annum straight line
Longterm leasehold land	-	Not depreciated

1.6 Operating leases

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

1.7 Stocks

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

1.8 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

1.9 Debtors

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

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

1. ACCOUNTING POLICIES (continued)

1.10 Cash at bank and in hand

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

1.11 Liabilities and provisions

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

1.12 Pensions

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the Academy.

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 in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

HEARTLANDS COMMUNITY TRUST

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

1. ACCOUNTING POLICIES (continued)

1.13 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency, Department for Education or other funders.

Investment income, gains and losses are allocated to the appropriate fund.

1.14 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 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

HEARTLANDS COMMUNITY TRUST

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

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations	150	-	-	150	1,395
Capital grants	-	-	20,335	20,335	16,555
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total donations and capital grants	150	-	20,335	20,485	17,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

In 2015, of the total income from donations and capital grants, £1,395 was to unrestricted funds and £16,555 was to restricted funds.

3. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Lettings income	77,398	-	77,398	81,419
Catering income	212,306	-	212,306	53
Uniform sales	55,218	-	55,218	35,481
Department income	1,080	-	1,080	6,174
Insurance reclaim	-	200,000	200,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	346,002	200,000	546,002	123,127
	<hr/>	<hr/>	<hr/>	<hr/>

In 2015, of the total income from other trading activities, £116,953 was to unrestricted funds and £6,174 was to restricted funds.

4. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Bank interest receivable	5,219	-	5,219	3,904
	<hr/>	<hr/>	<hr/>	<hr/>

In 2015, of the total investment income, £3,904 was to unrestricted funds and £NIL was to restricted funds.

HEARTLANDS COMMUNITY TRUST

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

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	7,123,763	7,123,763	7,078,463
Pupil Premium	-	573,352	573,352	577,102
Start up grant	-	85,925	85,925	-
Other DfE/EFA grants	-	-	-	34,500
SEN income	-	200,000	200,000	199,998
	-	7,983,040	7,983,040	7,890,063
Other government grants				
Special education projects	-	896,919	896,919	743,592
Local authority growth grant	-	291,876	291,876	390,093
	-	1,188,795	1,188,795	1,133,685
Other funding				
Other income	-	-	-	44,865
Trip income	-	73,794	73,794	77,500
NLC income	-	19,206	19,206	-
	-	93,000	93,000	122,365
	-	9,264,835	9,264,835	9,146,113

In 2015, of the total income from charitable activities, £NIL was to unrestricted funds and £9,146,113 was to restricted funds.

6. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Educational operations:					
Direct costs	4,713,324	654,710	639,725	6,007,759	5,300,919
Support costs	2,891,587	139,110	1,364,205	4,394,902	3,578,884
	7,604,911	793,820	2,003,930	10,402,661	8,879,803

In 2016, of the total expenditure, £192,370 (2015 - £69) was to unrestricted funds, £654,710 (2015 - £608,119) and £9,555,581 (2015 - £8,271,615) was to restricted funds.

HEARTLANDS COMMUNITY TRUST

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

7. CHARITABLE ACTIVITIES

	Total funds 2016 £	Total funds 2015 £
DIRECT COSTS - EDUCATIONAL OPERATIONS		
Wages and salaries	3,535,671	3,092,935
National insurance	353,768	276,572
Pension cost	507,904	392,541
Depreciation	654,710	608,119
Agency and other staff costs	315,981	338,073
Educational supplies	533,900	477,109
Examination fees	75,822	69,426
Other direct costs	30,003	46,144
	6,007,759	5,300,919
SUPPORT COSTS - EDUCATIONAL OPERATIONS		
Wages and salaries	2,266,538	1,808,383
National insurance	164,683	121,812
Pension cost	460,366	385,593
Technology costs	202,376	77,281
Security	3,526	2,582
Maintenance of premises and equipment	139,110	133,714
Governance costs	15,922	18,084
Rent and rates	105,891	106,293
Energy	112,454	119,059
Insurance	58,717	56,129
Catering	192,368	179,306
Other occupancy costs	141,161	55,771
Other support costs	307,295	267,247
Cleaning	143,316	163,422
Staff Recruitment	81,179	84,208
	4,394,902	3,578,884
Total Academy's educational operations	10,402,661	8,879,803

HEARTLANDS COMMUNITY TRUST

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

8. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charity	654,710	608,119
Auditors' remuneration - non audit	6,560	9,615
Auditors' remuneration	8,550	8,400
Operating lease rentals: other operating leases	3,478	948
	<u>673,298</u>	<u>627,082</u>

No central services were provided by the Trust in the year and no central charges arose as Heartlands Community Trust remains the only academy within this Multi Academy Trust.

HEARTLANDS COMMUNITY TRUST

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

9. STAFF COSTS

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	5,789,909	4,901,318
Social security costs	518,451	398,383
Operating costs of defined benefit pension schemes	968,270	778,134
	<u>7,276,630</u>	<u>6,077,835</u>
Supply teacher costs	315,981	338,073
Severance payments	12,300	-
	<u>7,604,911</u>	<u>6,415,908</u>

Severance payments of £12,300 was comprised of two payments; £1,950 and £10,350.

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

	2016 No.	2015 No.
Teachers	76	64
Administration and support	76	81
Management	9	9
	<u>161</u>	<u>154</u>

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

	2016 No.	2015 No.
In the band £60,001 - £70,000	4	4
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0
In the band £100,001 - £110,000	0	1
In the band £110,001 - £120,000	1	0

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016 employer's pension contributions for these staff amounted to £73,616 (2015: £61,181).

The Key Management Personnel of the academy trust comprise the trustees, the senior management team as listed on page 1, Rory Wilson and Lucia Santi. The amount of employee benefits (including employer pension contributions) received by the senior management team, Rory Wilson and Lucia Santi for their services to the academy trust was £728,076 (2015: £693,134). The amount of employee benefits (including employer pension contributions) by the trustees is disclosed in note 10. The Headteacher is a member of the senior management team and a trustee.

HEARTLANDS COMMUNITY TRUST

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

10. 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 Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits during the period in which they were trustees was as follows:

		2016 £	2015 £
Salary amounts - Mr S Garrill	Remuneration	110,000-115,000	100,000-105,000
	Pension contributions paid	15,000-20,000	15,000-20,000
Ms C McCluskey (resigned 8 December 2015)	Remuneration	10,000-15,000	50,000-55,000
	Pension contributions paid	0-5,000	5,000-10,000
Mr A Latchana (resigned 31 January 2015)	Remuneration	-	20,000-25,000
	Pension contributions paid	-	0-5,000
Ms A Gibson (resigned 31 January 2015)	Remuneration	-	20,000-25,000
	Pension contributions paid	-	-
Mr A Lloyd (appointed 1 February 2015 and resigned 8 December 2015)	Remuneration	10,000-15,000	25,000-30,000
	Pension contributions paid	0-5,000	5,000-10,000

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

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 governors' liability cover of up to £2,000,000 on any one loss and any one membership year. The cost of the insurance for the year ended 31 August 2016 is included in the total insurance cost of £24,300 paid under the Department for Education's Risk Protection Arrangement, (RPA). The RPA is not an insurance scheme but is a mechanism through which the cost of risks that materialise from 1 September 2015 are covered by government funds.

HEARTLANDS COMMUNITY TRUST

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

12. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Computer equipment £	Total £
Cost						
At 1 September 2015	28,982,410	136,085	40,127	109,215	107,323	29,375,160
Additions	101,530	15,289	24,739	32,434	31,229	205,221
At 31 August 2016	29,083,940	151,374	64,866	141,649	138,552	29,580,381
Depreciation						
At 1 September 2015	1,170,710	84,793	16,301	44,653	46,358	1,362,815
Charge for the year	552,371	31,779	9,713	23,448	37,399	654,710
At 31 August 2016	1,723,081	116,572	26,014	68,101	83,757	2,017,525
Net book value						
At 31 August 2016	27,360,859	34,802	38,852	73,548	54,795	27,562,856
At 31 August 2015	27,811,700	51,292	23,826	64,562	60,965	28,012,345

Included in long-term leasehold property is leasehold land at valuation at conversion to Academy status of £3,700,000 which is not depreciated.

The freehold land and buildings are owned by Haringey Council. The academy trust holds a 125 year lease on the land and buildings.

13. STOCKS

	2016 £	2015 £
School supplies	15,779	-

14. DEBTORS

	2016 £	2015 £
Trade debtors	100	2,177
VAT repayable	87,250	170,336
Other debtors	4,003	-
Prepayments and accrued income	243,560	224,484
	334,913	396,997

HEARTLANDS COMMUNITY TRUST

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

15. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	334,728	730,181
Other taxation and social security	156,770	129,226
Other creditors	296,907	162,460
Accruals and deferred income	129,159	146,560
	<u>917,564</u>	<u>1,168,427</u>

	2016 £	2015 £
Deferred income		
Deferred income at the start of year	53,865	9,868
Resources deferred during the year	54,285	53,865
Amounts released from previous years	(53,865)	(9,868)
Deferred income at 31 August 2016	<u>54,285</u>	<u>53,865</u>

At the balance sheet date the Academy Trust was holding funds received in advance for the 2016/17 academic year in relation to GAG funding of rates, totalling £54,285 (2015: £53,865).

HEARTLANDS COMMUNITY TRUST

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

16. STATEMENT OF FUNDS

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds	128,588	351,371	(192,370)	-	-	287,589
Restricted funds						
General Annual Grant (GAG)	318,466	7,123,763	(7,297,777)	-	-	144,452
Other DfE/EFA grants	343,531	773,352	(772,072)	-	-	344,811
Trip income	-	73,794	(73,794)	-	-	-
NLC income	-	19,206	(19,206)	-	-	-
Free School income	-	85,925	(85,925)	-	-	-
Other restricted income	324,921	1,388,795	(1,228,807)	(184,886)	-	300,023
Pension reserve	(318,000)	-	(78,000)	-	(717,000)	(1,113,000)
	668,918	9,464,835	(9,555,581)	(184,886)	(717,000)	(323,714)
Restricted fixed asset funds						
Transfer from Local Authority on conversion	27,294,637	-	(528,158)	-	-	26,766,479
DfE capital funding	717,708	20,335	(126,552)	184,886	-	796,377
	28,012,345	20,335	(654,710)	184,886	-	27,562,856
Total restricted funds	28,681,263	9,485,170	(10,210,291)	-	(717,000)	27,239,142
Total of funds	28,809,851	9,836,541	(10,402,661)	-	(717,000)	27,526,731

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

The General Annual Grant (GAG) must be used for the normal running costs of the Academy. There is no restriction on the carry forward of GAG.

The unrestricted general funds represents the academy's unrestricted activities.

The other restricted funds relate to various school and educational activities which are not funded by the General Annual Grant. This includes pupil premium, SEN funding and school trips for which income received is used to cover costs associated with these activities.

The Free School income relates to monies received on behalf of Heartlands Autism school for the purposes of creating a new school.

HEARTLANDS COMMUNITY TRUST

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

16. STATEMENT OF FUNDS (continued)

The defined benefit pension scheme relates to the pension deficit arising on the LGPS pension scheme, through which pensionary movements will be recognised.

The transfer of £184,886 between the restricted funds and restricted fixed asset funds represents restricted funds capitalised during the year.

The restricted fixed asset fund was funded predominantly by the funds inherited on conversion from the Haringey local authority following the transfer of the land and buildings. The restricted fixed asset fund recognises the tangible fixed assets held by the academy and depreciation is charged to this fund.

At 31 August 2016 Heartlands Community Trust was the only member within the multi-academy trust. No central services were provided by the trust to other academies during the period and no central charges arose.

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	-	27,562,856	27,562,856	28,012,345
Current assets	287,589	1,706,850	-	1,994,439	2,283,934
Creditors due within one year	-	(917,564)	-	(917,564)	(1,168,428)
Pension scheme liability	-	(1,113,000)	-	(1,113,000)	(318,000)
	<u>287,589</u>	<u>(323,714)</u>	<u>27,562,856</u>	<u>27,526,731</u>	<u>28,809,851</u>

18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £	2015 £
Net (expenditure)/income for the year (as per Statement of financial activities)	(566,120)	411,291
Adjustment for:		
Depreciation charges	654,710	608,119
Dividends, interest and rents from investments	(5,219)	(3,904)
Increase in stocks	(15,779)	-
Decrease/(increase) in debtors	62,084	(10,032)
(Decrease)/increase in creditors	(250,863)	650,593
FRS 102 adjustments	78,000	79,000
Net cash (used in)/provided by operating activities	<u>(43,187)</u>	<u>1,735,067</u>

HEARTLANDS COMMUNITY TRUST

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

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank and in hand	1,643,747	1,886,936
Total	<u>1,643,747</u>	<u>1,886,936</u>

20. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Haringey Council. Both are Multi-Employer Defined Benefit Pension Schemes.

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

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%)
- 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%.

HEARTLANDS COMMUNITY TRUST

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

20. PENSION COMMITMENTS (continued)

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

The employer's pension costs paid to TPS in the period amounted to £517,000 (2015 - £400,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £469,000 (2015 - £374,000), of which employer's contributions totalled £373,000 (2015 - £299,000) and employees' contributions totalled £96,000 (2015 - £75,000). The agreed contribution rates for future years are 24.4% for employers and 5.5-12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.10 %	3.80 %
Rate of increase in salaries	4.10 %	4.60 %
Rate of increase for pensions in payment / inflation	2.10 %	2.70 %
Commutation of pensions to lump sums pre April 2008	50.00 %	50.00 %
Commutation of pensions to lump sums post April 2008	75.00 %	75.00 %

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

	2016	2015
Retiring today		
Males	21.9	21.9
Females	24.1	24.1
Retiring in 20 years		
Males	24.2	24.2
Females	26.5	26.5

HEARTLANDS COMMUNITY TRUST

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

20. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,144,000	629,000
Debt instruments	370,000	207,000
Property	134,000	94,000
Cash	34,000	9,000
Total market value of assets	<u>1,682,000</u>	<u>939,000</u>

The actual return on scheme assets from 1 October 2015 to 31 March 2016 was 7.4%.

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

	2016 £	2015 £
Current service cost (net of employee contributions)	(438,000)	(367,000)
Net interest cost	(13,000)	(11,000)
Total	<u>(451,000)</u>	<u>(378,000)</u>

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

	2016 £	2015 £
Opening defined benefit obligation	1,257,000	806,000
Current service cost	438,000	367,000
Interest cost	58,000	38,000
Contributions by employees	96,000	75,000
Actuarial losses/(gains)	946,000	(29,000)
Closing defined benefit obligation	<u>2,795,000</u>	<u>1,257,000</u>

HEARTLANDS COMMUNITY TRUST

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

20. PENSION COMMITMENTS (continued)

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

	2016 £	2015 £
Opening fair value of scheme assets	939,000	535,000
Return on plan assets (excluding net interest on the net defined pension liability)	45,000	27,000
Actuarial gains and (losses)	229,000	3,000
Contributions by employer	373,000	299,000
Contributions by employees	96,000	75,000
	<hr/>	<hr/>
Closing fair value of scheme assets	1,682,000	939,000
	<hr/>	<hr/>

21. OPERATING LEASE COMMITMENTS

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

	2016 £	2015 £
Amounts payable:		
Within 1 year	2,937	3,474
Between 1 and 5 years	2,625	5,562
	<hr/>	<hr/>
Total for assets other than land and buildings	5,562	9,036
	<hr/>	<hr/>

22. RELATED PARTY TRANSACTIONS

Owing to the nature of the Academy's operations and the composition of the Governing Body 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 Academy's financial regulations and normal procurement procedures.

Other than those disclosed in note 10, no related party transactions took place in the period of account.

HEARTLANDS COMMUNITY TRUST

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

23. FIRST TIME ADOPTION OF FRS 102

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

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

RECONCILIATION OF TOTAL FUNDS	Notes	1 September 2014 £	31 August 2015 £
Total funds under previous UK GAAP		28,366,560	28,809,851
Total funds reported under FRS 102		<u>28,366,560</u>	<u>28,809,851</u>

Reconciliation of net income	Notes	31 August 2015 £
Net income previously reported under UK GAAP		425,291
Defined benefit pension scheme finance cost	A	(14,000)
Net movement in funds reported under FRS 102		<u>411,291</u>

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

A	The date of transition to FRS102 was 1 September 2014. There were no adjustments arising on transition to FRS102 that had an effect on the net reserves or on income and expenditure at the date of transition, at 31 August 2015 or 31 August 2016. No reconciliation is therefore provided and the figures disclosed in accordance with the previous financial reporting framework and those determined in accordance with FRS 102 for the same period other than a reconciliation to the presentation of net pension interest of £14,000 as a component of income and re-allocation of pension interest in accordance with FRS 102. Under the previous UK GAAP the academy trust have recognised an expected return on defined benefit plan assets in expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised as the expense.
---	---

24. 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.