



HEARTLANDS
COMMUNITY TRUST

**ANNUAL REPORT &
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2017**

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REFERENCE AND ADMINISTRATIVE DETAILS FOR THE YEAR ENDED 31 AUGUST 2017



Members

Ms M McCarthy (resigned 1 April 2017)
Mr M Rosen (resigned 1 April 2017)
Mr N Chambers
Mr J Twentyman (appointed 1 April 2017)
Ms S Roberts (appointed 1 April 2017)

Trustees

Ms M McCarthy, Chair of Trustees (resigned 1 April 2017)*
Mr M Rosen (resigned 6 January 2017)*
Mr S Garrill, Head Teacher and Accounting Officer*
Mr J Dilger, Vice Chair (to 28 March 2017), Chair (appointed 28 March 2017)
Mr J Twentyman
Ms R Suh
Ms S Roberts
Mr M Whitworth (resigned 15 May 2017)
Mr J Gainsborough

* Member of Finance Committee

Company registered number

08482398

(Registered in England and Wales)

Company name

Heartlands Community Trust

Principal and registered office

Heartlands High School
Station Road
Wood Green
London, N22 7ST



**REFERENCE AND ADMINISTRATIVE DETAILS OF THE
ACADEMY, ITS TRUSTEES AND ADVISERS FOR THE
YEAR ENDED 31 AUGUST 2017**



Advisers (continued)

Company secretary

Joanne Andrea Millard (appointed 1 September 2016)

Senior management team

Mr S Garrill, Chief Executive

Ms E Roberts, Head of School

Ms L Santi, Head of School Designate

Ms E Emmerson, Deputy Headteacher (resigned 31 August 2017)

Mr J Nagle, Deputy Headteacher

Ms M Williams, Assistant Headteacher (appointed 2 February 2017)

Mr H Levis, Assistant Headteacher

Mr A Greenwood, Assistant Headteacher

Ms M Arabas, Assistant Headteacher

Dr R Barr, Director of Finance and Business Development (resigned 24 March 2017)

Mr L Boodram, Chief Finance Officer (appointed 10 April 2017)

Independent auditors

MHA MacIntyre Hudson

Chartered Accountants

New Bridge Street House

30-34 New Bridge Street

London, EC4V 6BJ

Bankers

NatWest Bank PLC

London, W1B 3PB

Solicitors

Veale Wasbrough Vizards

86 Fetter Lane

London, EEC4A 1AD



The Trustees of Heartlands Community Trust (the "Trust") present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2016 to 31 August 2017. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The Trust operates a non-selective academy for pupils aged 11 to 16 serving a catchment area in Wood Green, North London, with admission criteria based on catchment area. In September 2017 it increased its Pupil Admission Number to 240 (from 216) and had on roll 1,129 students (October 2017 school census). The Trust also has 29 students in a resourced Autism Provision.

STRUCTURE GOVERNANCE AND MANAGEMENT

Constitution

The 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 Trust.

The Trustees of the 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.

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 Trust has joined the Government's Risk Protection Arrangement. 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 Trust. Details are included in note 11.

Method of Recruitment and Appointment or Election of Trustees

Members, Trustees, the Chair and Vice-Chair are elected or appointed as follows:

- a minimum of three Trust Members to be appointed
- a minimum of three Trustees and a maximum of ten Trustees to be appointed by an ordinary resolution by the Trust Members
- at least two Parent Trustees elected by the Parent Local Governors, unless there are two Parent Local Governors sitting on each Local Governing Body
- the Executive Headteacher (Chief Executive Officer)
- staff Trustees if any are appointed by the Members (provided that a total number of Trustees including the Executive Headteacher (CEO) who are employees of the Trust must not exceed one third of the total number of Trustees)
- co-opted Trustees (appointed by Trustees who are not themselves co-opted)
- Trustees will elect each school year a Chair and Vice-Chair from among their number (Staff Trustees are not eligible)

Trustee appointments are 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 of Trustees are responsible for ensuring that:

- the skills of any new Trustees fit in with the Trust's requirements in the short, medium and longer 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
 - Trustees understand their role and responsibilities they are taking on and consent to act as Trustees
- Most recent Trustee recruitment has been supported by Academy Ambassadors and Inspiring Governance.

Policies and Procedures Adopted for the Induction and Training of Trustees

Each new Trustee is given an induction programme that includes a briefing with the Executive Headteacher (CEO), Chief Finance Officer, Senior Leadership Team, Chair, Designated Safeguarding Lead and Clerk to the Governors. This will include 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 three years copies of the annual report and financial statements; past board papers; school(s) prospectus and a copy of the Trust's strategic plan.

The Trust has Gold Membership with the National Governance Association, The Key and Haringey Governor Services. Trustees have access to events, briefings, advice and guidance through these routes. Ongoing training and development is supported and encouraged; with Trustees attending training provided internally and externally. Trustees are asked to complete a skills audit identifying potential gaps in skills and experience, helping to inform recruitment as well as individual and collective training needs.

Organisational Structure

Member's responsibilities are to:

- oversee the achievement of the Trust's objectives
- appoint and remove Trustees (also known as Directors), as required
- make amendments to the Trust's Articles of Association that determine the constitution and governance arrangements of the Trust

The Board of Trustees' responsibilities are to:

- determine the vision and values, strategic plan, annual objectives and targets for the Trust, and to monitor achievement against these
- ensure that the business and finance of the Trust are well led and managed
- ensure probity and fulfilment of statutory and regulatory responsibilities
- appoint members of the Local Governing Body(s)
- determine the arrangements for setting of key policies
- appoint the Executive Headteacher (CEO), Chief Finance Officer, the Heads of School and set arrangements for their performance management

The Finance & Resources Committee's responsibilities are:

- 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
- 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 annual plan and the appointment, dismissal and remuneration of internal auditors and financial statements auditors; monitoring of actions to address audit findings; and ensuring that all allegations of fraud and irregularity are appropriately investigated and that control weaknesses addressed
- Resources: Human Resources, Facilities and IT

The Local Governing Body(s) responsibilities are to:

- carry forward the Trust's vision in a way that is appropriate to the specific qualities and community characteristics of the School
- ensure that standards of achievement are high
- monitor and evaluate the work of the School systematically in relation to student performance, student behaviour, self-evaluation and improvement, budget and financial performance and community cohesion
- act in an advisory capacity to the School and Head of School(s)

In order to ensure the proper management of the Trust, the Trustees have delegated specific responsibilities and tasks. In doing this the Trustees ensure 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 Chief Finance Officer.



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 Trust including:
 - internal organisation, management and control of the academies
 - advising on and implementing Trust'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
 - preparation of the annual curriculum policy and the review
- The Executive Headteacher (CEO) also has responsibility as the Accounting Officer for ensuring:
 - financial regularity and propriety
 - legal compliance
 - prudent and economical administration
 - efficient and effective use of resources
 - day to day organisation, staffing and management of the Trust
- Chief Finance Officer – 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
 - 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
 - direction of the teaching and implementation of the curriculum

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 Trust. 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 a 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) 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 external consultant the outcomes of that report and supporting evidence and make recommendations for pay and remuneration to the Finance and Resources (inc. Audit) Committee.

Employees and persons with disabilities

The Trust is an equal opportunities employer under the Equalities Act 2010 and is committed to promoting equality of opportunity for all employees and job applicants. It aims to create a supportive and inclusive working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. The Trust will:

- not discriminate against employees/applicants on the basis of age; race; sex; disability; sexual orientation; gender reassignment; marriage and civil partnership; pregnancy and maternity; religion, faith or belief. (Equality Act 2010 protected characteristics). The principles of non-discrimination and equality of opportunity also apply to the way in which employees and Trustees treat visitors, volunteers, contractors and former employees
- regularly review its practices and procedures to make sure that the equal opportunities policy is embedded; recognising that more than a formal statement is required to make the policy work. Duly, the Trust expects each employee to make their own contribution, and makes all applicants/employees aware of this policy
- encourage all employees to take advantage of the opportunities it provides for training and development



With regard to persons with disabilities, the Trust will:

- monitor all applications for employment from persons with disabilities via a declaration section within the application form
- monitor the physical features of its premises to consider whether they place persons with disabilities, job applicants at a substantial disadvantage compared to other employees. Where reasonable, the Trust will take steps to improve access for persons with disabilities
- with any employee who may become disabled during their employment, will undertake an assessment. And where possible a reasonable adjustment will be made which may be physical (i.e. adaptation), training or adjustments to working practices
- not discriminate in the career development and promotion of persons with disabilities

With regard to employee consultation the Trust:

- has a trade union recognition in place with the following unions: ASCL, NUT, NASUWT, Unison and GMB
- holds regular meetings with the Joint Consultative Committee. This allows the Trust to maintain good employment practice and industrial relations, and complements constructive communication with employees
- places a high value on communication with employees which can be evidenced over the last year by:
 - Staff consultation on revised policies (inc. Pay Policy)
 - Weekly staff bulletin
 - Health and Wellbeing events

Related Parties and other Connected Charities and Organisations

There are no connected organisations or related party relationships.

OBJECTIVES AND ACTIVITIES

Objects and aims

The Trust's principal aim is to create a strong commitment to learning. This is described in the Trust's Memorandum and Articles of Association as:

- advancing for the public benefit education, by establishing, maintaining, carrying on, managing and developing schools
- 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.

Objectives, strategies and activities

The work of the Trust and constituent schools are underpinned by its:

Vision

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

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, and will create value systems that support character development.

Outstanding Achievement

The Trust encourages 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

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

Partnerships that benefits all of our Students

The Trust values, and will build strong and productive links with our Local Authorities by encouraging its schools to play a central role within their own communities



Objectives, Strategies and Activities

Plans for this period can be categorised in the three themes. These are:

A. Teaching and Learning

- Provide a first class education to all students
- Ensure Progress 8 at Heartlands High School hits 0.50
- Ensure schools retain curriculums that are broad and balanced
- Ensure attendance returns to national averages
- Ensure schools retain a calm and scholarly atmosphere
- Develop programmes within school that nurture character
- Develop the capacity of leaders @HHS to replicate the AFA and quality assurance cycle
- Develop exciting enrichment opportunities for students
- Ensure clear accountability and reporting
- Develop training and teacher development within the school
- Ensure there is a talent pool of leaders ready to take positions

B. Trust Development

- Ensure a clear vision and communicate it effectively
- Refine the clarity of vision and values for the Trust
- Ensure that governance across the Trust is strong
- Develop a sustainable plan for growth
- Develop a model for school improvement driven by vision
- Develop a clear operating model for primary and secondary phase
- Complete a marketing exercise with target primary schools
- Ensure an effective school improvement model in place for primary schools
- Establish clear KPIs for primary schools
- Ensure the successful opening of The Grove
- Become a recognised Sponsor with the DFE
- Ensure successful Teaching School application
- Develop high quality central services
- Clearly define the role of the Centre
- Establish shared Finance, HR and personnel systems
- Establish shared data management systems
- Develop MSER process across the range of academies
- Ensure effective mechanisms in place for transitioning new academies

C. Board Development

- Recruit a new Chair to the Board
- Develop a clear training and development plan for governors
- Recruit a new Chair of Finance and Resources
- Build primary expertise into the Members and Board
- Ensure high quality recruitment of leaders and teachers

Public Benefit

The Trustees of the 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 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 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. The Trust has now been successful in securing a site for the new school for September 2019 and will shortly enter the design phase for the new build. Further work has been undertaken in an attempt to secure temporary accommodation for September 2018. In addition the Trust has continued to hold talks with other schools in relation to expansion. There has been considerable focus on ensuring robust structures to accommodate the new school.



Heartlands High School teaches young people from the age of 11–16. The percentage of students achieving English and Maths at Grade 9–4 or above was 65%. This ranked in the top 20% for schools nationally on FFT. Progress 8 for the school this Year was 0.05, representing average progress for the school.

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 at 94%. The school remains popular and oversubscribed within the local community and has an inclusive and caring atmosphere.

The school was successful this year in being designated as a National Teaching School and support school. In addition, it became an approved Sponsor.

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

Key Performance Indicators

The 2017 results of Heartlands High School pupils were in line with national averages for progress.

Some subjects exceeded expectations:

- Grade 4 or more in English and maths 65%
- Grade 5 or above in English and maths 36%
- Ebacc at 5 or above 20%
- Entering Ebacc 73%
- Staying in Education or Employment 93%
- Attendance 94%
- Attainment 43,1
- Progress 8 0.05

	ACADEMIC YEAR		
	2016–17	2015–16	2014–15
Total General Annual Grant Income per student/Average number of students (£7,706,582/1,084 students)	£7,109	£6,970	£7,028
Teaching Staff Costs per student (£4,471,875/1,084 students)	£4,125	£4,302	£3,870
Support Staff Costs per student (£2,953,230/1,084 students)	£2,724	£2,829	£2,301
Teaching Staff Costs as Percentage of Total Educational Income (£4,471,875/£10,156,465)	44%	47%	42%
Support Staff Costs as a Percentage of Total Educational Income (£2,953,230/£10,156,465)	29%	31%	25%

Going Concern

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

Financial Review

Most of the Trust's recurrent income is obtained from the Department for Education (DfE) via Education Skills and Funding Agency (ESFA) in the form of its General Annual Grant (GAG), the use of which is restricted to delivering the objectives of the Trust. The grants received from the ESFA during the year ended 31 August 2017 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

Expenditure for the period was covered by the GAG and Pupil Premium received from the DfE and other income such as voluntary contributions and activities generating funds.

The deficit for the year ended 31 August 2017 was c £295k (excluding the movement on the pension reserve and fixed asset fund) before the actuarial losses on the defined benefit pension scheme which now shows an aggregated deficit of £725k.



The Trust 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 Trust collectively, whilst more minor risks are dealt with by senior Executive Officers.

Reserves Policy

The Trust has a policy for building and maintaining reserves. This policy assists the Trust 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 £215k to £751k.

Trustees can review the reserves amount at any time and why they are held. Reports 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).

At 31 August 2017 the total funds comprised of:

Unrestricted		£279,342
Restricted:	Fixed asset funds	£27,035,564
	Pension reserve	(£725,000)
	Restricted income fund	<u>£900,395</u>
	TOTAL	<u>£27,490,301</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 Trust, at the discretion of the Trustees. The aim of the Trust is to increase this reserve to meet future working capital requirements.

Investment Policy

The Trust 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. An in depth Investment policy will be drafted when the need is there and when the Trust is in a position to do so.

Principal Risks and Uncertainties

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

The principal risks facing the Trust 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 KPI analysis at Board level, strong reporting systems and an experienced leadership group. Further enhanced in 2017 through extra support to underperforming departments
- **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 Trust, ensuring that the Trust 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 and a renewed emphasis on growing our own teachers

The 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 of Trustees with proposed mitigating actions and will continue to be reported until the risk is adequately mitigated



Plans for Future Periods

Provide a first class education to all students:

- Ensure that students in the Trust make more progress than the national trend
- Ensure schools retain curriculums that are broad and balanced
- Ensure schools develop a high expectations culture driven from our behaviour policy (secondary mainstream)
- Ensure schools focus on well researched strategies that deliver impact: metacognition, mastery and homework
- Ensure feedback to students helps them to make the most progress in lessons
- Ensure that students' experience of school is rich
- Ensure all schools are judged good or outstanding by Ofsted
- Promote the health and wellbeing of students and staff within the school

Ensure all schools are able to recruit and retain great teachers and leaders:

- Ensure there is a talent pool of leaders ready to take positions
- Develop training and teacher development within the Teaching School
- Ensure high quality delivery on the big 3 within the teaching school
- Ensure the Trust and its schools offer a great place to work

Ensure all schools are effectively supported and challenged by the Trust:

- Establish shared finance, HR, IT and personnel systems
- Establish shared data management systems
- Grow the Trust to ensure effective collaboration from within
- Ensure effective mechanisms in place for transitioning new academies
- Ensure the successful opening of The Grove
- Ensure an effective School improvement model is in place

Develop leadership across the Trust that drives our schools forward:

- Improve Governor training and succession planning throughout the Trust
- Ensure clear accountability and reporting

Funds held as custodian trustee on behalf of others

Funds held as custodian trustee on behalf of others for the Network Learning Community and the National College for Teaching and Leadership.

Disclosure of information to auditor

In so far as the Board of Trustees are aware:

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

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on _____ and signed on the Board's behalf by:

.....
Mr J Dilger
 Chair of Trustees



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 Executive Headteacher (CEO), as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between 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 on page 19.

During the period 1 September 2016 to 31 August 2017 the following governing body meetings were held:

Board of Trustees	Heartlands Local Governing Body	Finance & Resources Committee (inc. Audit)	Pay & Performance
19 October 2016	20 Sept 2016	30 November 2016	23 November 2016
13 December 2016	8 November 2016	15 March 2017	
28 March 2017	7 February 2017	5 July 2017	
18 July 2017	3 May 2017		
	3 July 2017		

Attendance at those meetings was as follows:

Board of Trustees

	19-Oct-16	13-Dec-16	28-Mar-17	18-Jul-17
Jeff Twentyman	A	✓	A	A
Joe Dilger	✓	✓	✓	✓
Judith Gainsborough	✓	✓	✓	A
Marianne McCarthy	✓	✓	A	Resigned
Michael Rosen	✓	✓	Resigned	
Michael Whitworth				Resigned
Rebecca Boyle Suh	✓	✓	✓	✓
Sian Roberts	✓	✓	✓	A
Simon Garrill	✓	✓	✓	✓



Heartlands High School Local Governing Body

	20-Sep-16	08-Nov-16	07-Feb-17	03-May-17	03-Jul-17
Andrew Lloyd	✓	✓	A	Resigned	
Anna Douglas	A	✓	✓	✓	✓
Bolu Heather	✓	A	✓	✓	Resigned
Craig Pattinson	✓	✓	✓	✓	✓
Elen Roberts	✓	✓	✓	✓	✓
Lindsay Nicholls-Smith		✓	✓	A	A
Marianne McCarthy	✓	✓	Resigned		
Maxine Apcher	✓	✓	✓	✓	✓
Nofer Fari			✓		✓
Toby Castle	A	✓	✓	A	A

Finance and Resources Committee (inc. Audit)

	30-Nov-16	15-Mar-17	05-Jul-17
Craig Pattinson	A	✓	✓
Joe Dilger	✓	✓	✓
Marianne McCarthy	✓	A	Resigned
Michael Rosen	✓	Resigned	
Simon Garrill	✓	✓	✓

REVIEW OF VALUE FOR MONEY

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

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

- Continuing high investment in:
 - staff development and training – linked to promoters of best practice nationally
 - rigorous performance management – self-review and regular external evaluation
 - strong assessment systems to identify individual student need and direct management initiative for improvement and intervention
- New investment in:
 - literacy and numeracy specialists and revised strategies for literacy and numeracy based on national best practice
 - reorganised and additionally trained teaching assistant support to provide specialist support across the school provision map and especially in English and mathematics
 - 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
 - revised and strengthened senior and middle management structures with specific accountabilities for driving regular assessment of student progress and effective intervention based on it



- 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
- 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

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Heartlands Community Trust for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks, that has been in place for the year 1 September 2016 to 31 August 2017 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 Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability.

In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Finance and Resources Committee (inc. Audit) 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 Trust's financial systems.

On a termly 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 Finances and Resources Committee (inc. Audit), on a termly basis on the operation of the systems of control and on the discharge of the Board of Trustees financial responsibilities.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Executive Headteacher (CEO) has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Internal Auditor;
- the work of the external auditors;
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.



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

Approved by order of the members of the Board of Trustees on _____ and signed on their behalf, by:

.....
Mr J Dilger
Chair of Trustees

.....
Mr S Garrill
Accounting Officer



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 and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

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 2016.

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

.....

Mr S Garrill
Accounting Officer



STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2017



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 issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

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

.....
Mr J Dilger
Chair of Trustees



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



OPINION

We have audited the financial statements of Heartlands Community Trust for the year ended 31 August 2017 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2017 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 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or



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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities, 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

Brendan Sharkey FCA (Senior Statutory Auditor)
for and on behalf of
MHA MacIntyre Hudson, Chartered Accountants

Statutory Auditors, New Bridge Street House,
30–34 New Bridge Street, London, EC4V 6BJ
Date:



In accordance with the terms of our engagement letter dated 4 September 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, 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 2016 to 31 August 2017 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 ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Heartlands Community Trust and the ESFA, 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 2016, 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

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 2016 to 31 August 2017 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
New Bridge Street House
30-34 New Bridge Street
London, EC4V 6BJ

Date:



**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING
INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 31 AUGUST 2017**



	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	2,569	–	21,314	23,883	20,485
Charitable activities	5	4,899	10,235,802	–	10,240,701	9,264,835
Other trading activities	3	383,771	86,230	–	470,001	546,002
Investments	4	674	–	–	674	5,219
TOTAL INCOME		391,913	10,322,032	21,314	10,735,259	9,836,541
EXPENDITURE ON:						
Charitable activities		400,160	10,466,657	654,872	11,521,689	10,402,661
TOTAL EXPENDITURE	6	400,160	10,466,657	654,872	11,521,689	10,402,661
NET EXPENDITURE BEFORE TRANSFERS						
		(8,247)	(144,625)	(633,558)	(786,430)	(566,120)
Transfers between Funds	16	–	(106,266)	106,266	–	–
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(8,247)	(250,891)	(527,292)	(786,430)	(566,120)
Actuarial gains/(losses) on defined benefit pension schemes	20	–	750,000	–	750,000	(717,000)
NET MOVEMENT IN FUNDS		(8,247)	499,109	(527,292)	(36,430)	(1,283,120)
RECONCILIATION OF FUNDS:						
Total funds brought forward		287,589	(323,714)	27,562,856	27,526,731	28,809,851
TOTAL FUNDS CARRIED FORWARD		279,342	175,395	27,035,564	27,490,301	27,526,731

The notes on pages 26 to 43 form part of these financial statements.

**BALANCE SHEET
AS AT 31 AUGUST 2017**



	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	12		27,035,564		27,562,856
CURRENT ASSETS					
Stocks	13	37,096		15,779	11,521,689
Debtors	14	696,524		334,913	
Cash at bank and in hand			1,643,747		
		<u>2,074,289</u>		<u>1,994,439</u>	
CREDITORS: amounts falling due within one year	15	<u>(894,552)</u>		<u>(917,564)</u>	
NET CURRENT ASSETS			<u>1,179,737</u>		<u>1,076,875</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>28,215,301</u>		<u>28,639,731</u>
Defined benefit pension scheme liability	20		<u>(725,000)</u>		<u>(1,113,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>27,490,301</u>		<u>27,526,731</u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	16	900,395		789,286	
Restricted fixed asset funds	16	<u>27,035,564</u>		<u>27,562,856</u>	
Restricted income funds excluding pension liability		<u>27,935,959</u>		<u>28,352,142</u>	
Pension reserve		<u>(725,000)</u>		<u>(1,113,000)</u>	
Total restricted income funds			<u>27,210,959</u>		<u>27,239,142</u>
Unrestricted income funds	16		<u>279,342</u>		<u>287,589</u>
TOTAL FUNDS			<u>27,490,301</u>		<u>27,526,731</u>

The financial statements on pages 26 to 43 were approved by the Trustees, and authorised for issue, on and are signed on their behalf, by:

.....
Mr J Dilger
Chair of Trustees

.....
Mr S Garrill
Accounting Officer

The notes on pages 26 to 46 form part of these financial statements.



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2017



	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash used in operating activities	18	<u>(197,485)</u>	<u>(63,522)</u>
Cash flows from investing activities:			
Investment income		674	5,219
Purchase of tangible fixed assets		(127,581)	(205,221)
Capital grants from DfE/ESFA		21,314	20,335
Net cash used in investing activities		<u>(105,593)</u>	<u>(179,667)</u>
Change in cash and cash equivalents in the year		(303,078)	(243,189)
Cash and cash equivalents brought forward		1,643,747	1,886,936
Cash and cash equivalents carried forward	19	<u><u>1,340,669</u></u>	<u><u>1,643,747</u></u>

The notes on pages 26 to 43 form part of these financial statements.

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the 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 2016 to 2017 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Heartlands Community Trust is a public benefit entity as defined by FRS102, and a company limited by guarantee incorporated in England. The address of the registered office and principal place of operation are detailed on page 1. The nature of the academy trust's operations and principal activity are detailed in the Trustees Report.

Heartlands Community Trust is a Multi Academy Trust. Heartlands Community Trust is currently the sole member of the multi academy trust. No central services were provided in the year and no central charges arose.

The financial statements are prepared in pounds sterling, the functional currency, rounded to the nearest £1.

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.

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 and severance 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.

1.5 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases: 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
Long-term leasehold land	–	Not depreciated

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

1.6 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 Taxation

The Academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within



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

1.8 Stocks

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

1.9 Debtors

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

1.10 Cash at bank and in hand

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

1.11 Liabilities and provisions

Liabilities and provisions 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 Financial instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Amounts due to the academy's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.13 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy 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.

1.14 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 and Skills 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 and Skills Funding Agency, Department for Education or other funders.

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

1.15 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

The 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	2,569	–	–	2,569	150
Capital grants			21,314	21,314	20,335
	<u>2,569</u>		<u>21,314</u>	<u>23,883</u>	<u>20,485</u>
Total 2016	<u>150</u>		<u>20,335</u>	<u>20,485</u>	



3. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Lettings income	93,646	-	93,646	77,398
Catering income	216,810	-	216,810	212,306
Uniform sales	40,143	-	40,143	55,218
Department income	33,172	-	33,172	1,080
Insurance reclaim	-	86,230	86,230	200,000
	<u>383,771</u>	<u>86,230</u>	<u>470,001</u>	<u>546,002</u>
Total 2016	<u>346,002</u>	<u>200,000</u>	<u>546,002</u>	

4. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank interest receivable	674	-	674	5,219
	<u>674</u>	<u>-</u>	<u>674</u>	<u>5,219</u>
Total 2016	<u>5,219</u>	<u>-</u>	<u>5,219</u>	



5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	7,706,582	7,706,582	7,123,763
Pupil Premium	-	569,313	569,313	573,352
Start up grant	-	51,664	51,664	85,925
SEN income	-	-	-	200,000
	<u>-</u>	<u>8,327,559</u>	<u>8,327,559</u>	<u>7,983,040</u>
Other government grants				
Special education projects	-	1,573,646	1,573,646	896,919
Local authority growth grant	-	255,260	255,260	291,876
	<u>-</u>	<u>1,828,906</u>	<u>1,828,906</u>	<u>1,188,795</u>
Other funding				
Other income	4,899	-	4,899	-
Trip income	-	51,216	51,216	73,794
NLC income	-	28,121	28,121	19,206
	<u>4,899</u>	<u>79,337</u>	<u>84,236</u>	<u>93,000</u>
Total 2017	<u>4,899</u>	<u>10,235,802</u>	<u>10,240,701</u>	<u>9,264,835</u>
Total 2016	<u>-</u>	<u>9,264,835</u>	<u>9,264,835</u>	

There are no unfulfilled conditions or other contingencies attached to the government grants above.

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Educational operations:					
Direct costs	4,849,444	654,872	690,507	6,194,823	6,007,759
Support costs	3,618,705	328,586	1,379,575	5,326,866	4,394,902
	<u>8,468,149</u>	<u>983,458</u>	<u>2,070,082</u>	<u>11,521,689</u>	<u>10,402,661</u>
Total 2016	<u>7,604,911</u>	<u>793,820</u>	<u>2,003,930</u>	<u>10,402,661</u>	

In 2017, of the total expenditure on charitable activities of £11,521,689 (2016 – £10,402,661), £400,160 (2016 – £192,370) was from unrestricted funds, £10,466,657 (2016 – £9,555,581) was from restricted funds and £654,872 (2016 – £654,710) was from restricted fixed asset funds.



7. CHARITABLE EXPENDITURE

	Direct costs 2017 £	Support costs 2017 £	Total 2017 £	Total 2016 £
Charitable activities	6,194,823	5,326,866	11,521,689	10,402,661
Total 2016	6,007,759	4,394,902	10,402,661	

Analysis of support costs

	Educational operations £	Total funds 2017 £	Total funds 2016 £
Staff costs	3,618,705	3,618,705	2,891,587
Technology costs	200,559	200,559	202,376
Security	154	154	3,526
Maintenance of premises and equipment	328,586	328,586	139,110
Governance costs	16,189	16,189	15,922
Rent and rates	103,042	103,042	105,891
Energy	142,306	142,306	112,454
Insurance	73,975	73,975	58,717
Catering	180,706	180,706	192,368
Other occupancy costs	21,039	21,039	141,161
Other support costs	415,544	415,544	307,295
Cleaning	144,401	144,401	143,316
Staff recruitment	81,660	81,660	81,179
	5,326,866	5,326,866	4,394,902
At 31 August 2016	4,394,902	4,394,902	

8. NET INCOME/(EXPENDITURE)

	2017 £	2016 £
This is stated after charging:		
Depreciation of tangible fixed assets:		
– owned by the charity	654,873	654,710
Auditors' remuneration	9,206	8,550
Auditors remuneration – other services	6,219	6,560
Operating lease rental	26,322	3,478

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.

9. STAFF COSTS

	2017 £	2016 £
Staff costs were as follows:		
Wages and salaries	6,225,959	5,789,909
Social security costs	583,867	518,451
Operating costs of defined benefit pension schemes	1,221,385	968,270
	<u>8,031,211</u>	<u>7,276,630</u>
Apprenticeship levy	11,138	–
Staff restructuring costs	59,370	12,300
Supply teacher costs	366,430	315,981
	<u>8,468,149</u>	<u>7,604,911</u>
Staff restructuring costs comprise:		
Staff restructuring costs	<u>59,370</u>	<u>12,300</u>

Included in staff restructuring costs are severance payments totalling £59,370 (2016 -£12,300). Individually, the payments were; £4,080, £18,200, £10,000, £11,100 and £15,990.

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

	2017 No.	2016 No.
Teachers	70	76
Administration and support	107	76
Management	12	9
	<u>189</u>	<u>161</u>

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

	2017 No.	2016 No.
In the band £60,001 – £70,000	4	4
In the band £70,001 – £80,000	1	0
In the band £80,001 – £90,000	2	1
In the band £110,001 – £120,000	0	1
In the band £120,001 – £130,000	1	0

Eight of the above employees (2016 – six) participated in the Teachers' Pension Scheme. During the year ended 31 August 2017 employer's pension contributions for these staff amounted to £103,150 (2016: £73,616).

The Key Management Personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The amount of employee benefits (including employer pension contributions) received by the senior management team for their services to the academy trust was £849,512 (2016: £728,076). The amount of employee benefits (including employer pension contributions) received by the trustees is disclosed in note 10. The Headteacher is a member of the senior management team and a trustee.



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, including employers national insurance, was as follows:

		2017	2016
		No.	No.
Mr S Garrill	Remuneration	120,000–125,000	110,000–115,000
	Pension contributions paid	15,000–20,000	15,000–20,000

During the year ended 31 August 2017, no Trustees received any reimbursement of expenses (2016 – none).

Remuneration disclosures for Trustees who resigned prior to 1 September 2016 are not reflected in the table above.

11. TRUSTEES' AND OFFICERS' INSURANCE

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

12. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Computer equipment £	Total £
Cost						
At 1 September 2016	29,083,940	151,374	64,866	141,649	138,552	29,580,381
Additions	70,119	–	–	34,720	22,742	127,581
At 31 August 2017	<u>29,154,059</u>	<u>151,374</u>	<u>64,866</u>	<u>176,369</u>	<u>161,294</u>	<u>29,707,962</u>
Depreciation						
At 1 September 2016	1,723,081	116,572	26,014	68,101	83,757	2,017,525
Charge for the year	565,978	11,827	7,891	29,397	39,780	654,873
At 31 August 2017	<u>2,289,059</u>	<u>128,399</u>	<u>33,905</u>	<u>97,498</u>	<u>123,537</u>	<u>2,672,398</u>
Net book value						
At 31 August 2017	<u>26,865,000</u>	<u>22,975</u>	<u>30,961</u>	<u>78,871</u>	<u>37,757</u>	<u>27,035,564</u>
At 31 August 2016	<u>27,360,859</u>	<u>34,802</u>	<u>38,852</u>	<u>73,548</u>	<u>54,795</u>	<u>27,562,856</u>

Included in long-term leasehold property is leasehold land at valuation of £3,700,000, which is not depreciated. The long-term leasehold property was valued on conversion to academy status. The trustees consider that the valuation remains appropriate.

The freehold land and buildings are owned by Haringey Council. The academy trust holds a 125 year lease on the land and buildings with no rental charge being payable.

13. STOCKS

	2017 £	2016 £
School supplies	37,096	15,779

14. DEBTORS

	2017 £	2016 £
Trade debtors	-	100
VAT recoverable	108,765	87,250
Other debtors	-	4,003
Prepayments and accrued income	587,759	243,560
	<u>696,524</u>	<u>334,913</u>

15. CREDITORS

Amounts falling due within one year	2017 £	2016 £
Trade creditors	198,209	334,728
Other taxation and social security	167,933	156,770
Other creditors	234,130	296,907
Accruals and deferred income	294,280	129,159
	<u>894,552</u>	<u>917,564</u>

Deferred income	2017 £	2016 £
Deferred income at the start of year	54,285	53,865
Resources deferred during the year	145,544	54,285
Amounts released from previous years	(54,285)	(53,865)
	<u>145,544</u>	<u>54,285</u>

At the balance sheet date the Academy Trust was holding funds received in advance for the 2017-18 academic year in relation to GAG funding of rates of £52,214 (2016 – £54,285), NCTL grant funding of £60,000 (2016 – £Nil) and other deferred income of £33,330 (2016 – £Nil).



16. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
Unrestricted funds						
General Funds – all funds	287,589	391,913	(400,160)	–	–	279,342
Restricted funds						
General Annual Grant (GAG)	144,452	7,706,582	(7,563,129)	–	–	287,905
Other DfE/EFA grants	344,811	569,312	(621,621)	–	–	292,502
Trip income	–	51,216	(51,216)	–	–	–
NLC income	–	28,121	(28,121)	–	–	–
Free School income	–	51,664	(51,664)	–	–	–
Other restricted income	300,023	1,915,137	(1,788,906)	(106,266)	–	319,988
Pension reserve	(1,113,000)	–	(362,000)	750,000	–	(725,000)
	<u>(323,714)</u>	<u>10,322,032</u>	<u>(10,466,657)</u>	<u>(106,266)</u>	<u>750,000</u>	<u>175,395</u>
Restricted fixed asset funds						
Fixed asset fund	27,562,856	21,314	(654,872)	106,266		27,035,564
Total restricted funds	<u>27,239,142</u>	<u>10,343,346</u>	<u>(11,121,529)</u>	<u>–</u>	<u>750,000</u>	<u>27,210,959</u>
Total of funds	<u><u>27,526,731</u></u>	<u><u>10,735,259</u></u>	<u><u>(11,521,689)</u></u>		<u><u>750,000</u></u>	<u><u>27,490,301</u></u>

STATEMENT OF FUNDS – PRIOR YEAR

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
Unrestricted funds						
General Funds	128,588	351,371	(192,370)	–	–	287,589
	<u>128,588</u>	<u>351,371</u>	<u>(192,370)</u>	<u>–</u>	<u>–</u>	<u>287,589</u>

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)
	<u>668,918</u>	<u>9,464,835</u>	<u>(9,555,581)</u>	<u>(184,886)</u>	<u>(717,000)</u>	<u>(323,714)</u>
Restricted fixed asset funds						
Fixed asset fund	<u>28,012,345</u>	<u>20,335</u>	<u>(654,710)</u>	<u>184,886</u>	<u>-</u>	<u>27,562,856</u>
	<u>28,012,345</u>	<u>20,335</u>	<u>(654,710)</u>	<u>184,886</u>	<u>-</u>	<u>27,562,856</u>
Total restricted funds	<u>28,681,263</u>	<u>9,485,170</u>	<u>(10,210,291)</u>	<u>-</u>	<u>(717,000)</u>	<u>27,239,142</u>
Total of funds	<u>28,809,851</u>	<u>9,836,541</u>	<u>(10,402,661)</u>	<u>-</u>	<u>(717,000)</u>	<u>27,526,731</u>

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. Under the Funding Agreement with the Secretary of State, there is no restriction on the carry forward of GAG.

The unrestricted general funds represents the academy's unrestricted activities. Unrestricted funds are used to meet the charitable objects at the discretion of the Trustees.

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.

The defined benefit pension scheme relates to the pension deficit arising on the LGPS pension scheme, through which pension movements will be recognised. The scheme is in deficit but given the nature of the liability, this is not payable immediately. Plans are in place to meet the deficit to ensure that the deficit is not a constraint on the free reserves of the academy.

The transfer of £106,266 (2016 – £184,886) between the restricted funds and restricted fixed asset funds represents restricted funds capitalised during the year on the purchase of fixed assets.

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.



17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £		Restricted fixed asset fund £
Tangible fixed assets	-	-	27,035,564	27,035,564
Current assets	279,342	1,794,947		2,074,289
Creditors due within one year	-	(894,552)	-	(894,552)
Pension scheme liability	-	(725,000)	-	(725,000)
	<u>279,342</u>	<u>175,395</u>	<u>27,035,564</u>	<u>27,490,301</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS – PRIOR YEAR

	Unrestricted funds 2016 £		Restricted funds 2016 £	
Tangible fixed assets	-	-	27,562,856	27,562,856
Current assets	287,589	1,706,850		1,994,439
Creditors due within one year	-	(917,564)	-	(917,564)
Pension scheme liability		(1,113,000)		(1,113,000)
	<u>287,589</u>	<u>(323,714)</u>	<u>27,562,856</u>	<u>27,526,731</u>

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

	2017 £	2016 £
Net expenditure for the year (as per Statement of Financial Activities)	(786,430)	(566,120)
Adjustment for:		
Depreciation charges	654,873	654,710
Investment income	(674)	(5,219)
Increase in stocks	(21,317)	(15,779)
(Increase)/decrease in debtors	(361,611)	62,084
Decrease in creditors	(23,012)	(250,863)
Capital grants from DfE and other capital income	(21,314)	(20,335)
FRS 102 adjustment	362,000	78,000
Net cash used in operating activities	<u>(197,485)</u>	<u>(63,522)</u>

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	<u>1,340,669</u>	<u>1,643,747</u>
Total	<u>1,340,669</u>	<u>1,643,747</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 2016.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review 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 on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The employer's pension costs paid to TPS in the period amounted to £516,000 (2016 – £517,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions Scheme website at the following location:

<http://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's



recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012.

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

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 2017 was £443,000 (2016 – £469,000), of which employer's contributions totalled £343,000 (2016 – £373,000) and employees' contributions totalled £100,000 (2016 – £96,000). The agreed contribution rates for future years are 17.8% for employers and 5.5% to 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:

	2017	2016
Discount rate for scheme liabilities	2.50%	2.10 %
Rate of increase in salaries	3.00%	4.10 %
Rate of increase for pensions in payment / inflation	2.40%	2.10 %

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

	2017	2016
Retiring today		
Males	21.8	21.9
Females	24.1	24.1
Retiring in 20 years		
Males	23.8	24.2
Females	26.0	26.5



Sensitivity analysis	At 31 August 2017	At 31 August 2016
Salary increase rate +0.5%	71,000	151,000
Discount rate -0.5%	547,000	566,000
Pension Increase Rate +0.5%	469,000	400,000

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

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	1,389,000	1,144,000
Gilts	470,000	370,000
Property	143,000	134,000
Cash and other liquid assets	41,000	34,000
Total market value of assets	<u>2,043,000</u>	<u>1,682,000</u>

The actual return on scheme assets from 1 October 2016 to 30 June 2017 was 8.9% (2016 – 7.4% from 1 October 2015 to 31 March 2016).

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

	2017 £	2016 £
Current service cost	(678,000)	(438,000)
Interest income	40,000	45,000
Interest cost	(67,000)	(58,000)
Total	<u>(705,000)</u>	<u>(451,000)</u>

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

	2017 £	2016 £
Opening defined benefit obligation	2,795,000	1,257,000
Current service cost	678,000	438,000
Interest cost	67,000	58,000
Employee contributions	100,000	96,000
Actuarial (gains)/losses	(868,000)	946,000
Benefits paid	(4,000)	–
Closing defined benefit obligation	<u>(705,000)</u>	<u>(451,000)</u>

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

	2017 £	2016 £
Opening fair value of scheme assets	1,682,000	939,000
Interest income	40,000	45,000
Actuarial gains/(losses)	(118,000)	229,000
Employer contributions	343,000	373,000
Employee contributions	100,000	96,000
Benefits paid	(4,000)	–
Closing fair value of scheme assets	<u>2,043,000</u>	<u>1,682,000</u>



21. OPERATING LEASE COMMITMENTS

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts payable:		
Within 1 year	26,322	2,937
Between 1 and 5 years	17,845	2,625
	<hr/>	<hr/>
Total for assets other than land and buildings	<u>44,167</u>	<u>5,562</u>

22. RELATED PARTY TRANSACTIONS

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

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 current or previous year.

23. MEMBERS' LIABILITY

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





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