

Company Registration No. 07614421 (England and Wales)

THE HEATH FAMILY (NORTH WEST)
(A COMPANY LIMITED BY GUARANTEE)
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2019

THE HEATH FAMILY (NORTH WEST)

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THE HEATH FAMILY (NORTH WEST)

REFERENCE AND ADMINISTRATIVE DETAILS

Members

P Cain
T P Cook (resigned 25 April 2019)
S J Dewhurst (resigned 22 January 2019)
L Driscoll (appointed 6 January 2019)
S Yeoman (appointed 6 January 2019)

Trustees

R Hall (Resigned 20 September 2018)
M Davies
H Stevenson
A Subramanayam
K Smith
Mr E Vitalis (Vice Chair) (Appointed 14 September 2018)
L Williams (Appointed 1 September 2018 and resigned 18 September 2019)
J Barnes (Resigned 9 October 2019)
A Duckworth (Appointed 8 November 2018)

Senior management team

- Chief Executive Officer	D Donnelly
- Chief Operating Officer	C Parkinson
- Trust Financial Controller	J McConville

Company secretary

P A Roberts

Company registration number

07614421 (England and Wales)

Principal and registered office

c/o Palace Fields Primary School
Badger Close
Palace Fields
Runcorn
Cheshire
WA7 2QW

Academies operated

The Heath Academy
Bridgewater Park Academy
Sir William Stanier Academy
Litherland Academy
The Prescott School
Palace Fields Primary
Daresbury Primary
Halsnead Primary
Litherland Moss

Location

Runcorn, Cheshire
Runcorn, Cheshire
Crewe, Cheshire
Bootle, Merseyside
Prescot, Merseyside
Runcorn, Cheshire
Warrington, Cheshire
Prescot, Merseyside
Bootle, Merseyside

Chief Executive Officer

J Jardine
K Murphy
J Fraser
R Rogers
A Kennedy
P Holloway
C J Roberts
H Taylor
S Greer

THE HEATH FAMILY (NORTH WEST)

REFERENCE AND ADMINISTRATIVE DETAILS

Independent auditor	Mitchell Charlesworth LLP 3rd Floor 5 Temple Square Temple Street Liverpool Merseyside L2 5RH
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Solicitors	Hill Dickinson LLP No.1 St. Pauls Square Liverpool Merseyside L3 9SJ
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THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The trustees present their annual report together with the accounts and auditor's report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The academy trust operates academies for pupils aged 3-19 serving catchment areas in Cheshire East, Halton, Knowsley and Sefton. It has a pupil capacity of 5,399 and had a roll of 4,137 in the school census on 4 October 2018.

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association dated 17 February 2015 are the primary governing documents of the academy trust.

The trustees of The Heath Family (North West) are also the directors of the charitable company for the purposes of company law. Details of the trustees who served during the year, and to the date these accounts are approved, are included in the Reference and Administrative Details on page 1.

Members' liability

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

Trustees' indemnities

Qualifying third party indemnity provision has been obtained by the trust for the benefit of trustees.

Method of recruitment and appointment or election of trustees

The members may appoint up to sixteen directors.

The members may appoint staff directors through such processes as they determine, provided that the total number of directors who are employees of the company does not exceed one third of the total number of directors.

Parent Directors

As the trust has appointed Local Governing Bodies as per Article 100a, and these LGBs include a minimum of two parent governors, there is no requirement for the trust to appoint any parent directors.

Co-opted Directors

The directors may appoint up to three co-opted directors. A 'co-opted director' means a person who is appointed to be a director by being co-opted by directors who have not themselves been so appointed.

The directors may not co-opt an employee of the company as a co-opted director if thereby the number of directors who are employees of the company would exceed one third of the total number of directors including the Chief Executive Officer.

Policies and procedures adopted for the induction and training of trustees

New governors are, upon appointment, issued with a welcome pack and inducted by the Chair of Governors. The trust schools have access to e-learning modules and a central training programme via, amongst others, the National Governors Association.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Organisational structure

The Heath School was a company limited by guarantee and an exempt registered charity which was set up to provide outstanding educational opportunities for students of different abilities between the ages of 11-16. It relied on government funding to finance and to carry out its statutory obligations.

The Heath School converted from a single academy to a multi academy trust. Initially the Heath was the sole member of The Heath Family (NW) Multi Academy Trust but on 1 September 2013 Sir William Stanier School, a Sponsored Secondary Academy, joined the Trust. On 1 March 2014, The Park Primary, a Sponsored Primary Academy, also joined, renaming to Bridgewater Park Primary School. On 1 March 2015, Litherland High School, a Sponsored Academy, joined the Trust, followed by Knowsley Park Centre for Learning on 1 August 2016 (which was renamed The Prescott School). Palace Fields Primary Academy was re-brokered and joined the Trust on 1 September 2016, Daresbury Primary School joined on 1 November 2016, Halsnead was acquired on 1 June 2017 and Litherland Moss Primary School became the latest Trust school on 1 September 2018.

The Heath Family (North West) management structure has three tiers: the Members, Directors and the Senior Management Team (SMT). Directors are responsible for the setting of general policy, approval of a framework for development and adopting an annual budget plan. During the last two financial years significant recruitment of new directors has taken place to strengthen the financial and operational governance of the Trust and increase the professional expertise available to achieve delivery of Trust objectives.

The SMT consists of the Chief Executive Officer, Chief Operating Officer and Trust Financial Controller. The SMT control the Trust at an executive level implementing the policies laid down by Directors and reporting back to them. The SMT is responsible for the authorisation of spending within agreed budgets and up to a level detailed in the scheme of delegation.

Arrangements for setting pay and remuneration of key management personnel

It is essential that in order to uphold business stability the Trust retain the best talent, and that pay and remuneration is proportionate to the role the individual plays in promoting the long term success of the Trust.

Whilst The Heath Family (North West) has a responsibility to compare similar roles within the region, there is no currently agreed mechanism to adjust the pay of the Trust's chief officers and therefore no salary increases have been awarded during the financial year.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period	11
Full-time equivalent employee number	11.00

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1%-50%	11
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	28,363
Total pay bill	20,046,476
Percentage of the total pay bill spent on facility time	-

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	20%
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Related parties and other connected charities and organisations

The Heath Tennis Club is a community tennis club located on The Heath School site and uses the school facilities.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Objectives and activities

Objects and aims

Our vision

We have one core purpose; our academies will provide an education that is broader than just academic outcomes. We want our pupils to excel because of the people they have become, not just because of the strong progress they make and results they achieve.

We are united, therefore, by shared-beliefs that quality education should focus on:

Names, not just numbers

In an age which can appear dominated by data-sets and league tables, we provide a nurturing, student-focused environment, where decisions are driven by how best to meet the individual needs of our pupils, staff and communities.

Outlooks, not just outcomes

We believe passionately that progress should be measured in terms of character as well as results. Instilling young people with the attitudes and self-belief to enable them to grasp opportunities, make the most of their abilities and unlock the doors to the next stage of their personal journeys is vital.

Culture, not just structure

Our Trust is more than a governance structure. First and foremost, staff and pupils are part of a family underpinned by a culture of continuous improvement. We share best practice, embrace innovation, constantly analyse performance and are transparent and accountable for our actions.

By delivering an education that is underpinned by this purpose and shared-beliefs, our pupils and staff will not only be able to achieve the best possible outcomes but also have the qualities that will enable them to excel in whatever they choose to do.

Objectives, strategies and activities

The principal object and activity of the charitable company is the operation of the Heath Family (North West), to provide outstanding educational opportunities for students of different abilities between the ages of 4 -16.

The main objectives of the Trust during the period ending 31st August 2019 are summarised below:

- To ensure that every student experiences the same high-quality education in terms of resources, tuition and care;
- To raise the standard of educational achievement and progress for all students;
- To improve the effectiveness of the Trust schools by keeping the curriculum and organisational structure under continual review;
- To provide value for money for the funds expended;
- To maintain existing and develop new links with the community, industry & commerce;
- To conduct the Trust's business in accordance with the highest standards of integrity, probity and openness;
- To support vulnerable schools outside of the Trust.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Significant activities

The core purpose of the Trust is teaching and learning. The deployment and effectiveness of staff and resources are constantly measured by their contribution to the overall quality of teaching and learning, and therefore the standards achieved by its students. Moreover, the emphasis of everyone's work is 'learning'.

Key actions which support the main purpose of the organisation are:

- A robust quality assurance process for the observation of teaching and learning;
- A secure use and understanding of data to track and measure the progress of students and inform intervention;
- Targeted CPD and training opportunities to ensure maximum effectiveness and value for money.

Public benefit

In setting our objectives and planning our activities, the directors and governors have given careful consideration to the Charity Commission's general guidance on public benefit. Students are admitted in accordance with the admissions policy agreed with the Department for Education (DfE). Students are admitted from a wide range of backgrounds and the curriculum offered is broad and balanced.

Strategic report

Achievements and performance

Internal and external factors

The Trust has deliberately slowed its rate of expansion this year to develop more robust processes for school improvement, governance and finance.

Key performance indicators

Overall attainment across the Trust varied considerably by school in 2019. Whilst there were significant improvements in some schools there were declines in others, particularly in the secondary sector. Prescott School, Sir William Stanier, Litherland High and Halsnead Primary are all classified as Schools Causing Concern and as a result are subject to higher levels of monitoring by, and support from, the Trust.

Two schools were inspected this year, namely The Prescott School which was judged to require Special Measures and Palace Fields Primary School which was judged to be good.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

2019 Primary Outcomes were as follows:

Measure	BWP	DPS	HPS	LMPS	PFPS	National 2019
EYFS GLD	92%	77%	41%	57%	88%	72%
Year 1 Phonics Check	78%	83%	83%	75%	71%	82%
KS1						
RWM combined Expected standard	56%	75%	31%	52%	64%	65%
Reading Expected Standard	75%	85%	38%	63%	71%	75%
Writing Expected Standard	56%	85%	36%	52%	64%	69%
Maths Expected Standard	63%	85%	40%	63%	71%	76%
Reading Higher Standard	19%	45%	0%	15%	25%	25%
Writing Higher Standard	6%	30%	0%	15%	4%	15%
Maths Higher Standard	25%	40%	0%	19%	18%	22%
KS2	BWP	DPS	HPS	LMPS	PFPS	National 2019
RWM Expected Standard	50%	67%	40%	83%	38%	65%
RWM disadvantaged	67%	43%	38.2%	75%	41%	51%
RWM Higher Standard	0%	5%	0%	4%	7%	11%
Reading Progress Score	-4.14	+0.26	-3.60	+2.81	-1.03	0
Writing Progress Score	-2.39	+1.81	-3.82	+2.13	+2.02	0
Maths Progress Score	-2.75	+0.76	-4.77	+2.38	-0.77	0
Reading Expected Standard	58%	71%	56%	83%	48%	73%
Writing Expected Standard	66%	86%	56%	83%	69%	78%
GPS Expected Standard	83%	81%	40%	83%	59%	78%
Maths Expected Standard	83%	76%	54%	83%	55%	79%
Reading Higher Standard	25%	29%	12.3%	35%	21%	27%
Writing Higher Standard	25%	14%	-	9%	24%	20%
GPS Higher Standard	50%	29%	5.3%	39%	10%	36%
Maths Higher Standard	8%	24%	7%	22%	7%	27%
Average Scaled Score Reading	103.3	102.8	99.7	103	100.6	104.4
Average Scaled Score GPS	108	105.2	99.23	106	100.2	106.3
Average Scaled Score Maths	105.3	104	99.42	103	101.3	105.0

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Secondary Outcomes were as follows:

Measure	School Performance				National 2019
2018-19	LHS	SWS	THS	TPS	
Progress 8	-0.63	-1.11	-0.06	-0.61	0
Progress 8 PP	-0.83	-1.53	-0.27	-0.84	-0.44 (2018)
Attainment 8	39.6	29.3	48.2	34.3	46.5
Attainment 8 PP	35.25	21.79	43.89	27.94	36.7 (2018)
Measure (continued)	LHS	SWS	THS	TPS	National
Basics Grade 4+	45%	33%	66%	34%	63.8% (2018)
Basics Grade 5+	29.4%	14.5%	43.2%	18.1%	43.0%
Entering EBacc	42%	11.5%	42%	19.9%	40%
EBacc APS	3.31	2.33	4.14	2.69	4.06
Staying in education/entering employment or training*	88%	95%	96%	85%	94%

*for pupils who completed KS4 in 2017

Governance at both Board and local levels is a developing strength of the Trust and provides ongoing evidence of effective action and scrutiny.

The Trust continues to review the effectiveness of the central team to ensure that the limited resources are used to good effect in delivering the required functions of the Trust and in providing effective support to schools. A HR manager was added to the central team in 2019 to continue to develop the policies and procedures of the Trust and to provide enhanced support to school leaders. A further post of Director of Teaching and Learning has replaced the roles of Strategic Academy Improvement Leads to provide full time support and accelerate the school improvement agenda, particularly in relation to staff development.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Going concern

The Trust Board assesses whether the going concern status of the Trust is appropriate, ie. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue in operation as a going concern. The Trust Board makes this assessment for a period of at least one year from the date of authorisation for issue of the accounts.

The financial statements have been prepared on the going concern basis which assumes that the Trust will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued provision of adequate funding. The financial statements do not include any adjustments that would result if the funds were not made available.

As at 31 August 2017 the Trust Board recognised that the year end position placed the Trust at risk of not having adequate resources to maintain its operational existence without external intervention. Steps were taken to identify areas of weakness and instigate measures to mitigate this risk and the Trust agreed a Recovery Plan with the Education and Skills Funding Agency (ESFA) to ensure that the Trust is both financially efficient and effective. The Recovery Plan includes repayable financial support from the ESFA of £1.42 million.

While there is nothing to suggest that the ESFA will cease this arrangement, withdrawal of support would result in material changes to the future financial position of the Trust, and could bring the going concern status of the Trust into question.

Nevertheless, given that there are no expectations that the ESFA is likely to withdraw its assistance, the Trust Board has a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future and have therefore adopted the going concern basis in preparing the annual accounts and return. Details regarding the adoption of the going concern basis can be found in the relevant accounting policies note.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Financial review

Financial performance is monitored monthly against budget and established expenditure profiles, and is subject to the external scrutiny of the ESFA who require the Trust to submit monthly expenditure reports against an agreed Recovery Plan to ensure compliance with the Financial Notice to Improve (FNTI).

Income and cash flow are also monitored by the ESFA on a monthly basis to ensure funding is received in line with agreements and that the financial liquidity of the Trust is maintained.

The Trust held fund balances at 31 August 2019 of £56,678,653 (2018: £61,132,347) comprising a restricted revenue funds deficit of £966,443 (2018: £888,695), unrestricted funds of £nil (2018: £Nil), a pension deficit of £15,760,000 (2018: £9,883,000) and restricted fixed asset funds of £73,405,096 (2018: £71,904,042).

Based on the audited financial statements, the Trust's total reserves decreased by an amount of £4,453,694 (2018: increased by £12,608,272) during the year. This total movement on funds is shown in the Statement of Financial Activities.

Excluding movements on tangible fixed assets, the LGPS defined benefit pension liability, and other non-recurring items, the Trust's 'operational' surplus on revenue funds for the year was £1,075,252 (2018: £73,796),

Reserves policy

It is prudent and sound financial practice to establish an adequate level of reserves for the following reasons:

- To build up a contingency for unforeseen events.
- To allow for delays in funding and allow the finances to cope with short term cash flow problems.
- To establish a provision to allow funding for lifecycle costs which will increase as the building, plant and equipment ages. The fund will also be required to refresh the ICT resources which have a relatively short lifespan.

As funding for the Trust will not increase to allow for increased costs resulting from ageing as detailed above, it is necessary to make allowance from budgets available and carry reserves forward.

This will help achieve the objectives set out above; however, the level of reserves will need to be revisited if additional use of reserves is required to ensure that the finances of the Trust are managed on a long term sustainable basis.

At 31 August 2019 there was a deficit on restricted revenue funds of £1,195,458.

The board is taking action to return the funds to surplus by working closely with the ESFA during the implementation of the Recovery Plan. Further details are given in the going concern accounting policy in note 1.

The pension deficit noted above would generally result in an increase of employers' pension contributions over a period of years and hence have cash flow implications for the Trust. This presents a significant risk to the Trust and will be monitored closely.

THE HEATH FAMILY (NORTH WEST)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Investment policy

The Chief Operating Officer liaises with the Commercial Account Manager at Lloyds Bank to explore the best available rate of return on any reserves.

Principal risks and uncertainties

The Trust is funded directly from ESFA funding streams and as such these are considered to be reasonably safe and secure. The main risk likely to be encountered is a change of government policy and subsequent cuts to funding levels. Falling pupil numbers is considered the next most serious risk to any school within the Trust.

Financial and risk management objectives and policies

The majority of income is received from the Education and Skills Funding Agency in the form of GAG. The objective is to spend the GAG resources efficiently and to build up reserves through other activities.

Fundraising

The fundraising activities of the Trust are undertaken using internal resources without the need to involve professional external fundraisers.

No fundraising complaints were received during the year.

Plans for future periods

The Trust has no current plans for growth and is continuing to focus on building sustainable improvements in all schools and continuing to address the ongoing financial issues.

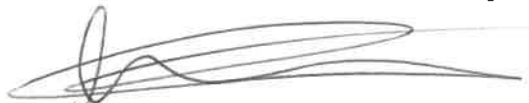
Auditor

In so far as the trustees are aware:

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

A resolution proposing that Mitchell Charlesworth LLP be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 19 December 2019 and signed on its behalf by:



Mr E Vitalis FCCA
Vice Chair

THE HEATH FAMILY (NORTH WEST)

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2019

Scope of responsibility

As trustees we acknowledge we have overall responsibility for ensuring that The Heath Family (North West) 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 Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Heath Family (North West) and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met four times during the year. Given the structure of sub-committees in place, the trustees are satisfied that the number of full board meetings is sufficient to discharge their responsibilities. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of possible
R Hall (Resigned 20 September 2018)	0	1
M Davies	3	4
H Stevenson	4	4
A Subramanayam	3	4
K Smith	3	4
Mr E Vitalis (Vice Chair) (Appointed 14 September 2018)	4	4
L Williams (Appointed 1 September 2018 and resigned 18 September 2019)	3	4
J Barnes (Resigned 9 October 2019)	2	4
A Duckworth (Appointed 8 November 2018)	2	2

The board has been through a period of transition, with new directors appointed during the last two years. The skills of those who have joined the board will be invaluable in improving the operations of the Trust.

The Business and Finance Committee has met throughout the year and has built up a timetable of key activities to be reported back to the board. A standards committee has also been formed to allow for greater challenge of the key function of the Trust, the provision of high quality education for the young people within our schools.

The finance and general purposes committee is a sub-committee of the main board of trustees. Its purpose is to monitor the financial performance of the Trust and to ensure compliance with the Financial Notice to Improve.

THE HEATH FAMILY (NORTH WEST)

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
R Hall (Resigned 20 September 2018)	0	1
M Davies	6	6
H Stevenson	1	2
A Subramanayam	3	6
Mr E Vitalis (Vice Chair) (Appointed 14 September 2018)	6	6
L Williams (Appointed 1 September 2018 and resigned 18 September 2019)	5	6
A Duckworth (Appointed 8 November 2018)	2	3

Review of value for money

I accept that as accounting officer the Chief Executive Officer has responsibility for ensuring that the academy trust delivers good value in the use of public resources. I understand that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

I set out below how I have ensured that the academy trust's use of its resources has provided good value for money during the academic year by:

- Implementing cost effective structures to maximise resources for schools.
- Financial Governance and Oversight.
- Cost Effect Purchasing.
- Reviewing Controls and Managing Risks.
- Future Objectives identified and incorporated in action plan to develop the above strategies.

Howard Worth have been appointed to conduct a review of internal controls & processes at all of our schools and centrally within the Trust. The reports of these visits are received by the Trust Board and Local Governing Bodies as appropriate. The reviewer's reports comment on the operation of the systems of control and on the discharge of the financial responsibilities of each school's appropriate staff and Governing Bodies.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute assurance, of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of charitable company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Heath Family (North West) for the period 1 September 2018 to 31 August 2019 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 charitable company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the charitable company's significant risks that has been in place for the period 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

THE HEATH FAMILY (NORTH WEST)

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

The risk and control framework

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

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Trust Board;
- Regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- Setting targets to measure financial and other performance;
- Clearly defined purchasing (asset purchase or capital investment) guidelines;
- Delegation of authority and segregation of duties;
- Identification and management of risks.

Review of effectiveness

As accounting officer, Mr D Donnelly has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by: -

- The work of the external reviewer;
- The work of the external auditor;
- The financial management and governance self-assessment process;
- The work of the senior leaders and managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control and a plan to address areas for improvement and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 19 December 2019 and signed on its behalf by:



Mr E Vitalis FCCA
Vice Chair

THE HEATH FAMILY (NORTH WEST)

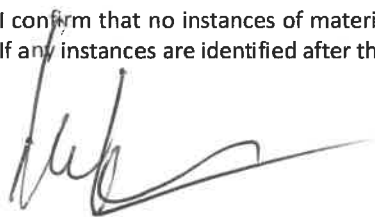
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

FOR THE YEAR ENDED 31 AUGUST 2019

As accounting officer of The Heath Family (North West) I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy trust's 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 2018.

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 D Donnelly
Accounting Officer

19 December 2019

THE HEATH FAMILY (NORTH WEST)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2019

The trustees (who are also the directors of The Heath Family (North West) for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Academies Accounts Direction 2018 to 2019 published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare accounts for each financial year. Under company law, the trustees must not approve the accounts 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 accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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 that 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 19 December 2019 and signed on its behalf by:



Mr E Vitalis FCCA
Vice Chair

THE HEATH FAMILY (NORTH WEST)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HEATH FAMILY (NORTH WEST)

FOR THE YEAR ENDED 31 AUGUST 2019

Opinion

We have audited the accounts of The Heath Family (North West) for the year ended 31 August 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information, which comprises the information included in the annual report other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

THE HEATH FAMILY (NORTH WEST)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HEATH FAMILY (NORTH WEST) (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated 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 the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated 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 accounts are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

THE HEATH FAMILY (NORTH WEST)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HEATH FAMILY (NORTH WEST) (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Use of our report

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



Philip Griffiths (Senior Statutory Auditor)
for and on behalf of Mitchell Charlesworth LLP

20 December 2019

Chartered Accountants
Statutory Auditor

3rd Floor
5 Temple Square
Temple Street
Liverpool
Merseyside
L2 5RH

THE HEATH FAMILY (NORTH WEST)

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE HEATH FAMILY (NORTH WEST) AND THE EDUCATION & SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2019

In accordance with the terms of our engagement letter dated 8 August 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Heath Family (North West) during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of The Heath Family (North West)'s accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Heath Family (North West)'s funding agreement with the Secretary of State for Education dated 29 November 2018 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewing the activities to ensure they are in keeping with the charitable objectives and framework.
- Reviewing declarations of interest and seeking further representations.
- Reviewing the control environment and considering potential weaknesses.
- Reviewing minutes of various committees, management accounts and holding discussions with key personnel.

THE HEATH FAMILY (NORTH WEST)

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE HEATH FAMILY (NORTH WEST) AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

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 period 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Reporting Accountant

Mitchell Charlesworth LLP
3rd Floor
5 Temple Square
Temple Street
Liverpool
Merseyside
L2 5RH

Dated: 20 December 2019

THE HEATH FAMILY (NORTH WEST)

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total 2019 £	Total 2018 £
Income and endowments from:						
Donations and capital grants	3	10,282	65,554	715,237	791,073	23,062,282
Donations - transfer of existing academy into the trust		-	173,795	2,318,544	2,492,339	-
Charitable activities:						
- Funding for educational operations	4	-	26,144,480	-	26,144,480	25,248,208
Other trading activities	5	77,293	93,359	-	170,652	149,046
Investments	6	1,270	-	-	1,270	805
Total		88,845	26,477,188	3,033,781	29,599,814	48,460,341
Expenditure on:						
Charitable activities:						
- Educational operations	9	-	27,842,796	1,303,712	29,146,508	35,661,069
Charitable expenditure - transfer from local authority on conversion		-	-	-	-	2,458,000
Charitable expenditure - transfer of existing academy into the trust		-	441,000	-	441,000	-
Total	7	-	28,283,796	1,303,712	29,587,508	38,119,069
Net income/(expenditure)		88,845	(1,806,608)	1,730,069	12,306	10,341,272
Transfers between funds	19	(88,845)	317,860	(229,015)	-	-
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension schemes	21	-	(4,466,000)	-	(4,466,000)	2,267,000
Net movement in funds		-	(5,954,748)	1,501,054	(4,453,694)	12,608,272
Reconciliation of funds						
Total funds brought forward		-	(10,771,695)	71,904,042	61,132,347	48,524,075
Total funds carried forward		-	(16,726,443)	73,405,096	56,678,653	61,132,347

THE HEATH FAMILY (NORTH WEST)

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2019

Comparative year information		Unrestricted	Restricted funds:		Total
Year ended 31 August 2018		Funds	General	Fixed asset	2018
	Notes	£	£	£	£
Income and endowments from:					
Donations and capital grants	3	4,044	75,410	22,982,828	23,062,282
Charitable activities:					
- Funding for educational operations	4	-	25,248,208	-	25,248,208
Other trading activities	5	60,200	88,846	-	149,046
Investments	6	805	-	-	805
Total		65,049	25,412,464	22,982,828	48,460,341
Expenditure on:					
Charitable activities:					
- Educational operations	9	-	27,438,717	8,222,352	35,661,069
Charitable expenditure - transfer from local authority on conversion		-	547,000	1,911,000	2,458,000
Total	7	-	27,985,717	10,133,352	38,119,069
Net income/(expenditure)		65,049	(2,573,253)	12,849,476	10,341,272
Transfers between funds	19	(280,558)	280,558	-	-
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension schemes	21	-	2,267,000	-	2,267,000
Net movement in funds		(215,509)	(25,695)	12,849,476	12,608,272
Reconciliation of funds					
Total funds brought forward		215,509	(10,746,000)	59,054,566	48,524,075
Total funds carried forward		-	(10,771,695)	71,904,042	61,132,347

THE HEATH FAMILY (NORTH WEST)

BALANCE SHEET

AS AT 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	13		72,440,575		71,171,496
Current assets					
Debtors	15	1,133,881		864,933	
Cash at bank and in hand		1,799,939		990,726	
		2,933,820		1,855,659	
Current liabilities					
Creditors: amounts falling due within one year	16	(2,115,742)		(1,261,808)	
Net current assets			818,078		593,851
Total assets less current liabilities			73,258,653		71,765,347
Creditors: amounts falling due after more than one year	17		(820,000)		(750,000)
Net assets before defined benefit pension scheme liability			72,438,653		71,015,347
Defined benefit pension scheme liability	21		(15,760,000)		(9,883,000)
Total net assets			56,678,653		61,132,347
Funds of the academy trust:					
Restricted funds	19				
- Fixed asset funds			73,405,096		71,904,042
- Restricted income funds			(966,443)		(888,695)
- Pension reserve			(15,760,000)		(9,883,000)
Total restricted funds			56,678,653		61,132,347
Unrestricted income funds	19		-		-
Total funds			56,678,653		61,132,347

The accounts on pages 23 to 49 were approved by the trustees and authorised for issue on 19 December 2019 and are signed on their behalf by:



Mr E Vitalis FCCA
Vice Chair

Company Number 07614421

THE HEATH FAMILY (NORTH WEST)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Net cash provided by operating activities	22	173,158		216,804	
Cash funds transferred on conversion		192,339		-	
		<u>365,497</u>		<u>216,804</u>	
Cash flows from investing activities					
Dividends, interest and rents from investments		1,270		805	
Capital grants from DfE Group		715,237		582,828	
Purchase of tangible fixed assets		(272,791)		(124,078)	
Proceeds from sale of tangible fixed assets		-		(508,338)	
		<u></u>		<u></u>	
Net cash provided by/(used in) investing activities		443,716		(48,783)	
		<u></u>		<u></u>	
Net increase in cash and cash equivalents in the reporting period		809,213		168,021	
Cash and cash equivalents at beginning of the year		990,726		822,705	
		<u></u>		<u></u>	
Cash and cash equivalents at end of the year		<u>1,799,939</u>		<u>990,726</u>	

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

The Heath Family (North West) is a charitable company incorporated in England and Wales. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the trustees' report.

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

1.1 Basis of preparation

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

The Heath Family (North West) meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in sterling which is also the functional currency of the multi academy trust.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

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 charitable company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the accounts.

The financial statements have been prepared on the going concern basis which assumes that the Trust will continue in operation for the foreseeable future. The validity of this assumption depends on the continued provision of adequate funding. The financial statements do not include any adjustments that would result if the funds were not made available.

As at 31 August 2017 the trustees recognised that the year end position placed the Trust at risk of not having adequate resources to continue in operation without external intervention. Steps were taken to identify areas of weakness and instigate measures to mitigate this risk and the Trust has agreed a Recovery Plan with the Education and Skills Funding Agency (ESFA) to ensure that the Trust is both financially efficient and effective. The Recovery plan includes repayable financial support from the ESFA of £1.42 million.

While there is nothing to suggest that the ESFA will cease this arrangement, withdrawal of support would result in material changes to the future financial position of the Trust, and could bring the going concern status of the Trust into doubt.

However, given that there are no expectations that the ESFA is likely to withdraw its assistance, the trustees have a reasonable expectation that the Trust will have adequate resources to continue in operation for the foreseeable future and have therefore adopted the going concern basis in the preparation of these financial statements.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.3 Conversion to an academy trust

Where assets and liabilities are received on the transfer of an existing academy into the academy trust, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. Income equal to the net assets transferred is recognised within donations and capital grant income.

1.4 Income

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

Grants

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

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

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

Other income

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

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the accounts until they are sold. This income is recognised within 'Income from other trading activities'.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

Donated fixed assets

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

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Charitable activities

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

1.6 Tangible fixed assets and depreciation

Included within land and buildings is a land value of £2,670,000 which is not depreciated.

The long leasehold property of the academy trust is being depreciated over the lease term of 125 years.

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

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

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

Land and buildings	Over the duration of the lease / 20% on cost
Computer equipment	33% on cost
Fixtures, fittings & equipment	20% on cost
Motor vehicles	25% on cost

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

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.

1.7 Liabilities

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

1.8 Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.9 Financial instruments

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. 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.

1.10 Taxation

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

1.11 Pensions benefits

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

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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

1.12 Fund accounting

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

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

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

2 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Donated fixed assets	-	-	-	22,400,000
Capital grants	-	715,237	715,237	582,828
Other donations	10,282	65,554	75,836	79,454
	<u>10,282</u>	<u>780,791</u>	<u>791,073</u>	<u>23,062,282</u>

4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
DfE / ESFA grants				
General annual grant (GAG)	-	24,320,042	24,320,042	21,876,517
Other DfE group grants	-	744,589	744,589	2,130,052
	<u>-</u>	<u>25,064,631</u>	<u>25,064,631</u>	<u>24,006,569</u>
Other government grants				
Local authority grants	-	262,272	262,272	354,205
	<u>-</u>	<u>262,272</u>	<u>262,272</u>	<u>354,205</u>
Other funding				
Other incoming resources	-	817,577	817,577	887,434
	<u>-</u>	<u>817,577</u>	<u>817,577</u>	<u>887,434</u>
Total funding	<u>-</u>	<u>26,144,480</u>	<u>26,144,480</u>	<u>25,248,208</u>

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Hire of facilities	77,293	-	77,293	60,200
Catering income	-	93,359	93,359	88,846
	<u>77,293</u>	<u>93,359</u>	<u>170,652</u>	<u>149,046</u>

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Short term deposits	1,270	-	1,270	805

7 Expenditure

	Staff costs £	Non Pay Expenditure Premises £	Other £	Total 2019 £	Total 2018 £
Academy's educational operations					
- Direct costs	16,677,586	-	5,281,821	21,959,407	17,268,892
- Allocated support costs	4,303,611	2,197,472	686,018	7,187,101	18,392,177
	20,981,197	2,197,472	5,967,839	29,146,508	35,661,069

Net income/(expenditure) for the year includes:

	2019 £	2018 £
Fees payable to auditor for:		
- Audit	14,250	16,500
- Other services	1,750	11,544
Depreciation of tangible fixed assets	1,303,712	1,049,722
Loss on disposal of fixed assets	-	7,172,630
Net interest on defined benefit pension liability	295,000	296,000

8 Central services

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

- financial services
- educational support

The academy trust charges for these services at a flat rate, being 3.5% of the GAG income (excluding PFI funding) received by each academy.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

8 Central services

(Continued)

The amounts charged during the year were as follows:

	2019 £	2018 £
The Heath Academy	196,000	172,000
Bridgewater Park Academy	20,000	19,000
Sir William Stanier Academy	132,000	144,000
Litherland Academy	121,000	133,000
The Prescott School	137,000	129,000
Palace Fields Primary	33,000	32,000
Daresbury Primary	18,000	18,000
Halsnead Primary	47,000	44,000
Litherland Moss	29,000	-
	<u>733,000</u>	<u>691,000</u>

9 Charitable activities

	2019 £	2018 £
All from restricted funds:		
Direct costs		
Educational operations	21,959,407	17,268,892
Support costs		
Educational operations	7,187,101	18,392,177
	<u>29,146,508</u>	<u>35,661,069</u>

	2019 £	2018 £
Analysis of support costs		
Support staff costs	4,303,611	5,198,660
Depreciation	1,303,712	8,222,352
Technology costs	349,590	340,878
Premises costs	893,760	2,222,480
Other support costs	295,000	2,363,084
Governance costs	41,428	44,723
	<u>7,187,101</u>	<u>18,392,177</u>

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

10 Staff

Staff costs

Staff costs during the year were:

	2019 £	2018 £
Wages and salaries	15,210,972	15,704,002
Social security costs	1,362,056	1,413,080
Pension costs	3,473,448	3,313,702
Amounts paid to employees	20,046,476	20,430,784
Agency staff costs	810,237	623,422
Staff restructuring costs	124,484	230,948
Amounts paid to staff	20,981,197	21,285,154
Staff development and other staff costs	-	2,000
Total staff expenditure	20,981,197	21,287,154
Staff restructuring costs comprise:		
Redundancy payments	124,484	230,948

Staff numbers

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

	2019 Number	2018 Number
Teachers	331	410
Administration and support	193	143
Management	42	32
	566	585

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

10 Staff

(Continued)

Higher paid staff

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

	2019 Number	2018 Number
£60,001 - £70,000	10	9
£70,001 - £80,000	4	4
£80,001 - £90,000	2	2
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
£110,001 - £120,000	1	1
	<u>19</u>	<u>17</u>

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £290,101 (2018: £300,000).

11 Trustees' remuneration and expenses

No trustees were paid remuneration or received other benefits from an employment with the academy trust.

Trustees' expenses

There were no expenses paid to trustees in the year ended 31 August 2019 or in the year ended 31 August 2018.

12 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 trust 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.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

13 Tangible fixed assets

	Land and buildings	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 September 2018	73,012,157	1,825,502	742,007	66,812	75,646,478
Transfer on conversion	2,300,000	-	-	-	2,300,000
Additions	114,899	136,571	21,321	-	272,791
At 31 August 2019	75,427,056	1,962,073	763,328	66,812	78,219,269
Depreciation					
At 1 September 2018	2,886,789	1,123,452	399,258	65,483	4,474,982
Charge for the year	707,436	458,125	136,822	1,329	1,303,712
At 31 August 2019	3,594,225	1,581,577	536,080	66,812	5,778,694
Net book value					
At 31 August 2019	71,832,831	380,496	227,248	-	72,440,575
At 31 August 2018	70,125,368	702,050	342,749	1,329	71,171,496

Included in cost or valuation of land and buildings is freehold land of £2,670,000 (2018 - £2,670,000) which is not depreciated

Also included in cost or valuation of land and buildings are the school premises at The Heath and Litherland Moss. These buildings have been valued at £22,400,000 and £2,300,000 respectively.

14 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,297,596	1,405,050
Carrying amount of financial liabilities		
Measured at amortised cost	2,768,491	1,839,894

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

15 Debtors	2019	2018
	£	£
Trade debtors	46,248	79,434
VAT recoverable	560,493	365,999
Other debtors	61,309	2,511
Prepayments and accrued income	465,831	416,989
	<u>1,133,881</u>	<u>864,933</u>
16 Creditors: amounts falling due within one year	2019	2018
	£	£
Trade creditors	451,947	563,786
Other taxation and social security	137,171	128,262
Other creditors	1,033,738	165,717
Accruals and deferred income	492,886	404,043
	<u>2,115,742</u>	<u>1,261,808</u>
17 Creditors: amounts falling due after more than one year	2019	2018
	£	£
Other creditors	<u>820,000</u>	<u>750,000</u>
Included in other creditors is a loan of £1,420,000 received from the Education and Skills Funding Agency under the terms of the Trust's Recovery Plan. It is anticipated that £600,000 of this loan will be repaid in the year to 31 August 2020, commencing in March 2020, with the remaining balance of £820,000 repaid by 30 April 2021.		
18 Deferred income	2019	2018
	£	£
Deferred income is included within:		
Creditors due within one year	<u>30,080</u>	<u>50,389</u>
Deferred income at 1 September 2018	50,389	-
Released from previous years	(50,389)	-
Resources deferred in the year	<u>30,080</u>	<u>50,389</u>
Deferred income at 31 August 2019	<u>30,080</u>	<u>50,389</u>

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

	Balance at 1 September 2018 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2019 £
Restricted general funds					
General Annual Grant (GAG)	(893,652)	24,493,837	(24,893,214)	317,860	(975,169)
Other DfE / ESFA grants	-	744,589	(744,589)	-	-
Other government grants	-	262,272	(262,272)	-	-
Other restricted funds	4,957	1,417,490	(1,413,721)	-	8,726
Pension reserve	(9,883,000)	(441,000)	(970,000)	(4,466,000)	(15,760,000)
	<u>(10,771,695)</u>	<u>26,477,188</u>	<u>(28,283,796)</u>	<u>(4,148,140)</u>	<u>(16,726,443)</u>
Restricted fixed asset funds					
DfE group capital grants	71,904,042	715,237	(1,285,168)	(229,015)	71,105,096
Transfer of existing academy	-	2,300,000	-	-	2,300,000
	<u>71,904,042</u>	<u>3,015,237</u>	<u>(1,285,168)</u>	<u>(229,015)</u>	<u>73,405,096</u>
Total restricted funds	<u>61,132,347</u>	<u>29,492,425</u>	<u>(29,568,964)</u>	<u>(4,377,155)</u>	<u>56,678,653</u>
Unrestricted funds					
General funds	-	88,845	-	(88,845)	-
	<u>-</u>	<u>88,845</u>	<u>-</u>	<u>(88,845)</u>	<u>-</u>
Total funds	<u>61,132,347</u>	<u>29,581,270</u>	<u>(29,568,964)</u>	<u>(4,466,000)</u>	<u>56,678,653</u>

General Annual Grant includes the Pupil Premium and must be used for the normal running costs of the schools within the trust.

Other DfE Group Grants - these have been received for specific purposes throughout the year and include looked after children (LAC) income, all of which was fully spent in the year.

Local Authority Grants consist of various support grants received. All of this income has been spent.

The Pension Reserve represents the pension fund determined in accordance with FRS102 as detailed in note 20.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

(Continued)

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

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	-	21,876,517	(23,050,727)	280,558	(893,652)
Other DfE / ESFA grants	-	2,130,052	(2,130,052)	-	-
Other government grants	-	354,205	(354,205)	-	-
Other restricted funds	-	1,051,690	(1,046,733)	-	4,957
Pension reserve	(10,746,000)	-	(1,404,000)	2,267,000	(9,883,000)
	<u>(10,746,000)</u>	<u>25,412,464</u>	<u>(27,985,717)</u>	<u>2,547,558</u>	<u>(10,771,695)</u>
Restricted fixed asset funds					
Transfer on conversion	-	-	(1,911,000)	-	(1,911,000)
DfE group capital grants	59,054,566	582,828	(8,222,352)	-	51,415,042
Transfer of existing academy	-	22,400,000	-	-	22,400,000
	<u>59,054,566</u>	<u>22,982,828</u>	<u>(10,133,352)</u>	<u>-</u>	<u>71,904,042</u>
Total restricted funds	<u>48,308,566</u>	<u>48,395,292</u>	<u>(38,119,069)</u>	<u>2,547,558</u>	<u>61,132,347</u>
Unrestricted funds					
General funds	215,509	65,049	-	(280,558)	-
Total funds	<u>48,524,075</u>	<u>48,460,341</u>	<u>(38,119,069)</u>	<u>2,267,000</u>	<u>61,132,347</u>

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

(Continued)

Total funds analysis by academy

	2019	2018
	£	£
Fund balances at 31 August 2019 were allocated as follows:		
The Heath Academy	(380,145)	(344,000)
Bridgewater Park Academy	69,431	29,000
Sir William Stanier Academy	(521,207)	(151,000)
Litherland Academy	(371,696)	(149,000)
The Prescott School	(62,531)	(173,000)
Palace Fields Primary	241,204	125,000
Daresbury Primary	(83,610)	(59,000)
Halsnead Primary	177,590	63,000
Litherland Moss	106,887	-
Central services	(142,366)	(229,695)
Total before fixed assets fund and pension reserve	(966,443)	(888,695)
Restricted fixed asset fund	73,405,096	71,904,042
Pension reserve	(15,760,000)	(9,883,000)
Total funds	56,678,653	61,132,347

Total cost analysis by academy

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

	Teaching and educational support staff	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total 2019	Total 2018
	£	£	£	£	£	£
The Heath Academy	4,066,286	1,271,981	593,386	770,627	6,702,280	7,590,000
Bridgewater Park Academy	496,075	80,583	51,336	112,026	740,020	694,000
Sir William Stanier Academy	3,018,234	782,524	163,972	809,545	4,774,275	4,744,000
Litherland Academy	2,396,255	824,303	235,040	689,664	4,145,262	5,151,000
The Prescott School	3,029,011	657,910	284,071	1,790,492	5,761,484	4,134,000
Palace Fields Primary	781,688	143,348	65,242	170,361	1,160,639	1,641,000
Daresbury Primary	445,530	61,042	45,084	106,381	658,037	758,000
Halsnead Primary	1,264,343	215,157	86,451	248,161	1,814,112	1,787,000
Litherland Moss	714,081	184,931	43,091	232,068	1,174,171	-
Central services	466,082	81,832	100	364,502	912,516	941,000
	16,677,585	4,303,611	1,567,773	5,293,827	27,842,796	27,440,000

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

(Continued)

The Trust has taken steps to identify areas of weakness and has agreed a recovery plan with the Education and Skills Funding Agency (ESFA) to ensure that the Trust is both financially efficient and effective in order to return the funds to surplus.

20 Analysis of net assets between funds

	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total Funds £
Fund balances at 31 August 2019 are represented by:				
Tangible fixed assets	-	-	72,440,575	72,440,575
Current assets	-	1,969,299	964,521	2,933,820
Creditors falling due within one year	-	(2,115,742)	-	(2,115,742)
Creditors falling due after one year	-	(820,000)	-	(820,000)
Defined benefit pension liability	-	(15,760,000)	-	(15,760,000)
Total net assets	-	(16,726,443)	73,405,096	56,678,653

	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total Funds £
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	-	-	71,171,496	71,171,496
Current assets	-	1,123,113	732,546	1,855,659
Creditors falling due within one year	-	(1,261,808)	-	(1,261,808)
Creditors falling due after one year	-	(750,000)	-	(750,000)
Defined benefit pension liability	-	(9,883,000)	-	(9,883,000)
Total net assets	-	(10,771,695)	71,904,042	61,132,347

21 Pension and similar obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012, and that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £121,006 (2018: £106,860) were payable to the schemes at 31 August 2019 and are included within creditors.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

(Continued)

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). 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, from 1 January 2007, automatic too for teachers in part-time employment following appointment or a change of contract. Teachers are able to opt out of the TPS.

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 – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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

A copy of the latest valuation report can be found by following the link to [the Teachers' Pension Scheme website](#).

The employer's pension costs paid to the TPS in the period amounted to £1,645,000 (2018: £1,583,000).

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

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

(Continued)

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

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 11 to 25% for employers and 5.5 to 12.5% for employees.

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

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.

Total contributions made	2019 £	2018 £
Employer's contributions	1,153,000	1,170,000
Employees' contributions	274,000	279,000
Total contributions	1,427,000	1,449,000
Principal actuarial assumptions	2019 %	2018 %
Rate of increase in salaries	3	3
Rate of increase for pensions in payment/inflation	2.2	2.3
Discount rate for scheme liabilities	1.8	2.8
Inflation assumption (CPI)	2	2.3
Commutation of pensions to lump sums	62.5	50

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

(Continued)

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

	2019 Years	2018 Years
Retiring today		
- Males	21.64	22.19
- Females	24.17	24.61
Retiring in 20 years		
- Males	23.49	24.31
- Females	26.29	26.99

Scheme liabilities would have been affected by changes in assumptions as follows:

	2019 £'000	2018 £'000
Discount rate + 0.1%	-288	-550
Discount rate - 0.1%	288	550
Mortality assumption + 1 year	79	705
Mortality assumption - 1 year	-79	-705
CPI rate + 0.1%	230	425
CPI rate - 0.1%	-230	-425

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

	2019 Fair value £	2018 Fair value £
Equities	7,166,000	6,541,000
Corporate bonds	5,100,000	4,159,000
Gifts	376,000	100,000
Cash and other liquid assets	381,000	188,000
Other assets	1,971,000	1,699,000
Total market value of assets	14,994,000	12,687,000

The actual return on scheme assets was £1,060,000 (2018: £514,000).

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

(Continued)

Amount recognised in the Statement of Financial Activities	2019 £	2018 £
Current service cost	1,507,000	1,731,000
Past service cost	321,000	-
Interest income	(374,000)	(290,000)
Interest cost	669,000	586,000
Total operating charge	2,123,000	2,027,000

Changes in the present value of defined benefit obligations	2019 £	2018 £
At 1 September 2018	22,570,000	21,716,000
Transferred in on existing academies joining the academy trust	441,000	547,000
Current service cost	1,507,000	1,731,000
Interest cost	660,000	578,000
Employee contributions	274,000	279,000
Actuarial loss/(gain)	5,152,000	(2,043,000)
Benefits paid	(171,000)	(238,000)
Past service cost	321,000	-
At 31 August 2019	30,754,000	22,570,000

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

	2019 £	2018 £
At 1 September 2018	12,687,000	10,970,000
Interest income	374,000	290,000
Actuarial gain	686,000	224,000
Employer contributions	1,153,000	1,170,000
Employee contributions	274,000	279,000
Benefits paid	(171,000)	(238,000)
Effect of non-routine settlements	(9,000)	(8,000)
At 31 August 2019	14,994,000	12,687,000

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

22 Reconciliation of net income to net cash flow from operating activities

	2019 £	2018 £
Net income for the reporting period (as per the statement of financial activities)	12,306	10,341,272
Adjusted for:		
Net deficit on conversion to academy	-	2,458,000
Net surplus on transfer of academy in the trust	(2,051,339)	-
Capital grants from DfE and other capital income	(715,237)	(22,982,828)
Investment income receivable	(1,270)	(805)
Defined benefit pension costs less contributions payable	675,000	561,000
Defined benefit pension scheme finance cost	295,000	296,000
Depreciation of tangible fixed assets	1,303,712	2,960,722
Loss on disposal of fixed assets	-	7,680,968
(Increase)/decrease in debtors	(268,948)	364,775
Increase in creditors	923,934	448,700
Stocks, debtors and creditors transferred on conversion	-	(1,911,000)
Net cash provided by operating activities	173,158	216,804

23 Commitments under operating leases

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

	2019 £	2018 £
Amounts due within one year	1,331,978	1,310,528
Amounts due in two and five years	5,119,283	5,139,492
Amounts due after five years	12,435,185	13,678,704
	18,886,446	20,128,724

The leasing commitments include the unitary charges payable under the PFI contract at The Prescott School.

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

24 Related party transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and in accordance with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

There were no related party transactions during the year.

In entering into these transactions, the academy trust has complied with the requirements of the Academies Financial Handbook 2018.

25 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

26 Teaching school trading account	2019		2018	
	£	£	£	£
Other income				
Voluntary income		65,554		75,410
Direct costs				
Direct staff costs	54,958		61,453	
Staff development	-		2,000	
Other direct costs	6,827		7,000	
	<u>61,785</u>		<u>70,453</u>	
Total expenditure		(61,785)		(70,453)
Surplus from all sources		<u>3,769</u>		<u>4,957</u>
Teaching school balances at 1 September 2018		4,957		-
Teaching school balances at 31 August 2019		<u><u>8,726</u></u>		<u><u>4,957</u></u>

THE HEATH FAMILY (NORTH WEST)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

27 Transfer of existing academies into the academy trust

Litherland Moss Primary School

	Transfer in recognised £
Net assets acquired	
Freehold land and buildings	2,300,000
Cash and cash equivalents	192,339
	<hr/>
Total net assets	2,492,339
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There were no fair value adjustments required to the values reported by the transferring trust.