Company Registration No. 07841435 (England and Wales)

SACRED HEART PARTNERSHIP OF SCHOOLS

(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

SACRED HEART PARTNERSHIP OF SCHOOLS

REFERENCE AND ADMINISTRATIVE DETAILS

Members	S Cunningham (Resigned 25 March 2019) D Fox P Leighton J Ledger S Lerche R Byrne (Appointed 25 March 2019)
Directors	D M Kendall A Bath (Accounting Officer) H C Thompson V Goatman J P Scullion D J Harrison (Chair) G Hardy K McCourt
Key management personnel	
- Chief Executive Officer	A Bath
- Deputy Head Teacher	F Temple Jones (Resigned 31 August 2019)
- Deputy Head Teacher	S Howell
- Deputy Head Teacher	D Douglass
- Assistant Head Teacher	M Cousins
- Assistant Head Teacher	M Donnelly
Senior management team	
- Assistant Head Teacher	R Gundlach
- Assistant Head Teacher	I Bradley
- Assistant Head Teacher	L Clarke
- Assistant Head Teacher	M Ashton
Company registration number	07841435 (England and Wales)
Registered office	Fenham Hall Drive Newcastle upon Tyne NE4 9YH

Academies operated	**Location**	**Principal**
Sacred Heart Catholic High School	Newcastle	A Bath
St Michael's RC Primary School	Newcastle	C Chapman
Sacred Heart Catholic Primary School	Newcastle	B Brown

Independent auditor	RSM UK Audit LLP 1 St. James' Gate Newcastle upon Tyne NE1 4AD
Bankers	Lloyds Bank 102 Grey Street Newcastle upon Tyne NE1 6AG

SACRED HEART PARTNERSHIP OF SCHOOLS

REFERENCE AND ADMINISTRATIVE DETAILS

Solicitors	Watson Burton LLP 1 St James' Gate Newcastle upon Tyne NE99 1YQ

SACRED HEART PARTNERSHIP OF SCHOOLS

DIRECTORS' REPORT

The directors present their annual report together with the financial statements 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 trust operates two primary and one secondary school in Newcastle upon Tyne. Its academies have a combined pupil capacity of 1,831 and had a roll of 1,873 in the school census on 17 January 2019.

Sacred Heart Catholic Primary School joined the Trust on 1 May 2019.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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

The trustees of Sacred Heart Partnership of Schools are also the directors of the charitable company for the purpose of company law. The charitable company is known as Sacred Heart Partnership of Schools.

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

Members' liability

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

Directors' indemnities

Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions. As required in the Academy's Articles of Association indemnity insurance has been taken out to cover the liability of trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the academy trust. Provided that any such insurance shall not extend to any claim arising from any act or omission which the trustees knew to be a breach of trust or breach of duty or which was committed by the trustees in reckless disregard of whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the trustees in their capacity as trustees.

Method of recruitment and appointment or election of directors

The board of trustees is made up of representation from some of the schools in the partnership who have the variety of skills requisite for a board of trustees. The chair of the Board will be duly elected on an annual basis.

Policies and procedures adopted for the induction and training of directors

The training and induction provided for new directors depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new directors are given a tour of the schools and the chance to meet with staff and students. All directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as directors. As there are normally only one or two new directors a year, induction tends to be done informally and is tailored specifically to the individual.

Organisational structure

During the year the Trust continued to operate a unified management structure. The structure consists of 4 levels: the Directors, the Executive Group, the Senior Leadership Team and the Middle Management Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Directors are responsible for setting general policy, adopting an annual development plan and budget, monitoring the Trust by the use of budgets and making major decisions about the direction of the Trust, capital expenditure and senior staff appointments.

The Executive Group consists of the Chief Executive Officer and three Deputy Head Teachers who control the Trust at an executive level implementing the policies laid down by the directors and reporting back to them. As a group the Executive are responsible for the authorisation of spending within agreed budgets and the appointment of staff for posts in the Senior Leadership Team, through appointment panels which sometimes contain a director. Some spending control is devolved to members of the Senior Leadership Team, with limits above which a member of the Executive Group must countersign.

The Senior Leadership Team includes the Executive Group and the six Assistant Head Teachers.

The Middle Management of the Trust is centred around the Group of Heads of Department and Heads of Progress. These managers are responsible for the day to day operation of the Trust, in particular organising the teaching staff, facilities and students.

Arrangements for setting pay and remuneration of key management personnel

The Trust has a pay policy which has been adopted by the Governing Body. There are two committees which have delegated authority to carry out the policy. They are the Staffing Committee and the Pay Review Committee. The Pay Review Committee is responsible for the review of performance and pay for the Head Teacher advised on by an external adviser. The Chief Executive Officer will withdraw for any discussion relating to their pay.

The Chief Executive Officer may delegate responsibility for staff appraisal but remains responsible for recommendations regarding pay progression.

Teachers are employed in accordance with the provisions of the School Teachers' Pay and Conditions Document (STP& CD).

Support staff pay and conditions are in accordance with the National Joint Council for Local Government Services applied by the school. The Governing body has determined the pay range for support staff posts and uses the Newcastle City job evaluation instrument to inform decisions.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period	1
Full-time equivalent employee number	1.00

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	-
Total pay bill	-
Percentage of the total pay bill spent on facilty time	-

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	-

Related parties and co-operation with other organisations

Further details are stated in note 27 to the Financial Statements. The Trust has provided services to Sacred Heart Primary School in the period up to 30 April 2019.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the Multi-Academy Trust is the operation of Sacred Heart Partnership of Schools to provide education for students of different abilities between the ages of 3 and 18 with an emphasis on delivery of the National Curriculum subjects, with specialisms in: STEM subjects and Performing Arts.

The Trust's mission is based upon five goals:

- A personal and active faith in God
- A deep respect for intellectual values
- A social awareness which impels to action
- The building of community as a Christian value, and
- Personal growth in an atmosphere of wise freedom

Objectives, strategies and activities
In practice the Trust will:

- Provide mutual support to all Trust Academies
- Provide an education for pupils in their primary and secondary education
- Promote and support Catholic education in the Diocese
- Promote equality in the Trust

and will deliver the following outcomes where all partnership schools will:

- Provide an outstanding education for their pupils
- Work collaboratively to share expertise and ensure the highest possible standards
- Demonstrate an uncompromising drive to improve, or maintain, the highest levels of achievement and personal development for all pupils over a sustained period of time
- Provide a curriculum which promotes ad sustains a thirst for knowledge and a love of learning.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 3 and 18.

Public benefit
The Trust's aims and achievements are set out within this report. The activities set out in this report have been undertaken to further the academy's charitable purposes for the public benefit. The directors have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission and the directors have paid due regard to this guidance in deciding what activities the academy should undertake.

STRATEGIC REPORT
Achievements and performance

Academic performance

St Michael's RC Primary School
Attendance for 2018-19 was 96.7%. Unauthorised absence is 3.5% and the national average is 4%.

Attainment

Headline figure analysis
Key stage 1, Phonics Screen 2018-19, 90% passed, the national average is 83%
Year 2, (including Y1 matched data) 2018-19 is 87% passed, against a national average of 92%.

End of KS1 Headline Figure Analysis
Reading 2018-19, GD School 20% , National GD 26%
Writing 2018-19, GD School 13% National GD 16%
Maths 2018-19, GD School 13%, National GD 22%

Review of activities
The school has supported 54 school visits, of which one was residential.

The school joined Sacred Heart Partnership of Schools Multi Academy Trust on 1 September 2017.

Academic Performance

Sacred Heart Primary School

Attendance for 2018-19 was 97.4%, unauthorised absence is 0.7% and the national average is 4%

Attainment

Headline figure analysis
Key stage 1, Phonics Screen 2018-19, 97% passed, the national average is 83%
Year 2, is 33.3%

End of KS1 Headline Figure Analysis
Reading 2018-19, GD School 33%, National GD 26%
Writing 2018-19, GD 27%, National GD 16%
Maths 2018-19, GD 37%, National GD 22%

Review of activities
The school has supported 7 school visits, of which 1 was residential and 1 was overseas.

The school joined Sacred Heart Partnership of Schools on 1 May 2019.

Academic Performance

Sacred Heart High School
Attendance for 2018-19 was 95.3% the national average for 17-18 was 95%. Unauthorised absence is low at 1.88%.

Attainment
Attainment at Key Stage 4 in 2018-2019 improved yet again from an already high standard,1:3 of the grades awarded at GCSE was 7, 8 or 9 compared with 1:4 nationally for girls and 1:5 for all students.

At all levels performance is consistently high with results above the national averages. The five year trend is one of high performance.

42% of students attained strong English and Maths passes. All students with us achieved at least one qualification. Attainment in English is outstanding at 88% 9-4 Attainment in Mathematics is improved at 69%.

Attainment in Science is good at 72.3% 9-4. Attainment in Religious Studies is outstanding at 47.7% 9-7, 84% 9-4. Attainment 8, A8 was 52.4, the second highest ever achieved.

Consistently outstanding Value Added scores over the past three years and under the new measure P8=0.4 (Up from 0.40 in 2017-18) In 2018-19 attainment for specific groups showed no significant deviation from the whole school picture.

Sixth Form attainment and progress
Students made very good progress from a very high starting position. Attainment for 2018-19 is very good. 23% A*-A grades; 57.9% A*-B grades; 85.9% A*-C grades; 99.4% pass rate in recent years for A level.

Average Grades B- with APS 36.7

BTEC Results for August 2019 D*-D 57%, D*-M 89.9% D*-P 100%. Substantial revisions have occurred to the Vocational curriculum resulting in a radical change in means of assessment and hence comparisons to previous years are not valid.

Review of activities
The school has supported 216 school visits of which 3 were foreign visits.

The school is now a SCITT training school with a total of 43 students completing in 2018-19. As a teaching school we also continue to provide school to school support to other schools.

Financial review

The Trust is subject to a number of risks and uncertainties in common with other Trust's. The Trust has in place procedures to identify and mitigate financial risks. These are discussed further in the principal risks and uncertainties section of this report, and in the Governance Statement.

Most of the Trust's income is obtained from the Department for Education (DfE) via the Education Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2019 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Trust also receives grants for fixed assets from the DfE/ESFA. Such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2019, total expenditure of £11,674k exceeded the recurrent grant funding from the DfE/ESFA together with other incoming resources (excluding the transfer on conversion). The excess expenditure over income for the year (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £207k, removing the transfer on conversion the deficit was £978k, of which £910k was depreciation.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academy's objectives.

At 31 August 2019 the net book value of fixed assets was £23,475k and movements in fixed assets are shown in notes 14 and 15 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the Trust.

The provisions of FRS 102 Section 28 Pension liability have been applied in full, resulting in a deficit of £1,636k recognised on the balance sheet.

The Trust held fund balances at 31 August 2019 of £23,212 comprising £21,976k of restricted funds and £1,236k of unrestricted funds.

The Trust holds restricted and unrestricted funds (the attached financial statements detail these funds). Unrestricted funds are held:

- to provide funds which can be designated to specific areas such as STEM activities, Gifted & Talented, Pastoral; and
- to cover ongoing costs in relation to the running of the academy.

Reserves policy

The level of reserves is reviewed by the directors regularly throughout the year. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The directors have determined that the appropriate level of free reserves should be £1,340k. The reason for this is to provide sufficient working capital, two month's salary, PAYE, NI and pension commitment costs of £670k. The directors also want to provide a cushion to deal with unexpected emergencies such as urgent maintenance as the school is spread over multiple buildings with separate boilers. The academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) are in surplus by £1,236k.

Any large spend commitments over £25k go through a full tender procedure as required in our Financial Regulations and must be approved by any two of the following; Finance & Business Manager, Head Teacher and a member of the Finance & Site Committee.

Investment policy

The Multi Academy Trust has invested with Lloyds Bank £711k in a 32 day notice account which attracts interest of around 0.75%. This is updated each month and is subject to change.

Interest rates are reviewed across a number of banks to ensure we are getting the best return on the balances we hold. This policy maximises investment return whilst minimising risks to the principal sum.

Key performance indicators

St Michael's RC Primary School

The monthly management accounts are reviewed each month end with the Executive Head Teacher and Business Manager at St Michael's. Any budget variances are discussed.

Sacred Heart Primary School

The monthly management accounts are reviewed each month end with the Executive Head Teacher and Business Manager at St Michael's. Any budget variances are discussed.

Sacred Heart Catholic High School

The staffing, finance & site committee review any budget variances for the MAT, these are reviewed monthly in the finance department. Academic performance results against national averages are included on page 6.

Trust financial indicators include:

GAG funding	£8,108,000 (2018: £7,832,000)
Net current assets	£1,373,000 (2018: £1,302,000)

Staff costs as a percentage of income (excluding transfer on conversion) were 71% (2018: 74%).

Going concern

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

Plans for future periods

Since becoming a MAT of two schools on 1st September 2017 , Sacred Heart Primary School joined the MAT on 1st May 2019

On Friday 25th October the Diocese of Hexham and Newcastle announced that Sacred Heart Partnership of Schools had been selected to be the base MAT for the northern Diocesan region with Mrs Bath as the CEO. This will eventually result in a MAT of 39 schools; 5 high schools and 34 primary schools.

The MAT will continue to strive to maintain excellent performance and highest standards in attendance and behaviour, and continue to work in partnership with other organisations to achieve the highest quality provision.

Sacred Heart Catholic High School is currently into its three year development plan 2017-20. A key priority for 2019-20 is to build on the work started last year in respect of attainment in Maths and History. Future plans include enhancing courses written for the new 9-1 GCSEs, reviewing the Yr 9 curriculum and improving the A8 and P8 GCSE scores. We also plan to introduce MAT wide data evaluation systems. There is a plan to evaluate the KS3 Life Without Levels curriculum across all departments and continued focus on staff training for the new GCSE and A level specifications. The T & L strategy for the whole school is to further develop the coaching model trialed in science and to continue to develop GRIT in Yr 7 and focus on 6th Form study skills via VESPA model. Literacy is the key T & L focus for departments.

CPD will be aimed at allowing staff to research and embed T&L strategies with a strong focus on interleaved learning and spaced repetition. In 6th form, the focus is on the progress of all the students and work ethic, independence and achievement. There are plans to install a reading area in the common room for the students. The pastoral targets are to embed the behaviour policy, review the attendance policy, and to train staff in the use of safeguarding software.

Sacred Heart Catholic High School is further embedding Espacio into class prayers and plans to appoint and train a new Goals co- ordinator.

There are plans to introduce competition days for the feeder primary schools and continue the subject specialist days throughout the year. IT support is now being provided for our MAT primary St Michael's and Sacred Heart Primary School. Further support is being provided for staff using Office 365. The main focus in finance for 2019-20 is to facilitate the growth of the Northern MAT in line with the expansion plans of the Diocese.

Principal risks and uncertainties

The principal risks and uncertainties are centered on changes in the level of funding from the DfE/ESFA. In addition the Trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the Trust balance sheet.

The directors have assessed the major risks to which the Trust is exposed, in particular those relating specifically to teaching, provision of facilities and other operational areas of the Trust , and its finances. The directors have implemented a number of systems to assess risks that the Trust faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The Trust has fully implemented the requirements of the Safer Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

The Trust is subject to a number of risks and uncertainties in common with other Trusts. The Trust has in place procedures to identify and mitigate financial risks.

DIRECTORS' REPORT (CONTINUED)

Fundraising
The academy trust does not work with commercial participators or professional fundraisers and does not engage third parties to undertake fundraising activities on its behalf.

Should individuals wish to complain about any fundraising activities conducted by the academy trust, they should follow the complaints or whistleblowing policy as appropriate.

AUDITOR
RSM UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditor
The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Director's Report is approved by order of the board of directors and the Strategic Report (included therein) is approved by the board of directors in their capacity as the directors at a meeting on 17/12/19 and signed on its behalf by:

.....
D J Harrison
Chair

SACRED HEART PARTNERSHIP OF SCHOOLS

GOVERNANCE STATEMENT

Scope of responsibility

As Directors we acknowledge we have overall responsibility for ensuring that Sacred Heart Partnership of Schools 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 Directors has delegated the day-to-day responsibility to the Head Teacher, 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 Sacred Heart Partnership of Schools 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 directors' report and in the statement of directors' responsibilities.

Directors	Meetings attended	Out of possible
D M Kendall	3	4
A Bath (Accounting Officer)	4	4
H C Thompson	2	4
V Goatman	4	4
J P Scullion	0	4
D J Harrison (Chair)	4	4
G Hardy	2	4
K McCourt	0	4

The Board of Trustees meets four times a year to review the Trust's financial position. In addition, there are a further three Sub-committee meetings across the year of the Trust's 'Audit, Staffing, Finance & Site' committee. These seven meetings ensure that there are frequent and regular opportunities for Trustees to engage and challenge on all aspects of the financial management of the Trust.

Governance reviews

The Audit, Staffing, Finance & Site Committee is a sub-committee of the main board of governors. Its purpose is to assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's resources, including proper planning, monitoring and probity, and to make appropriate comments and recommendations on such matters to the governing body on a regular basis.

Directors	Meetings attended	Out of possible
A Bath (Accounting Officer)	3	3
H C Thompson	3	3
V Goatman	2	3
D J Harrison (Chair)	2	3
G Hardy	2	3

Review of value for money

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

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

Example one
Sacred Heart High School used their additional capital funding in 2018-19 to upgrade their fire windows and doors on site.

Example two
Sacred Heart Primary School now benefit from a new IT Service Level Agreement with Sacred Heart Catholic High School. They receive IT support from the High School which means they can have rapid hands on support on site when required. This is a much improved service for the primary school.

Example three
St Michael's RC Primary School were successful in the CIF Bid allocations for 2018-19 and have benefited from a new security fence and CCTV entry system.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy 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 Sacred Heart Partnership of Schools 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 Directors has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the 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 Directors.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors;
- regular reviews by the staffing, finance and site 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; and
- identification and management of risks.

GOVERNANCE STATEMENT (CONTINUED)

The board has considered the need for a specific internal audit function and has decided not to appoint an internal auditor.

However the directors have appointed RSM Risk Assurance Services LLP, as a reviewer, to perform additional checks.

The reviewer's role includes performing a range of checks on the academy trust's financial systems. The appointees report to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

The reviewer has delivered their schedule of work as planned and no material control issues have arisen as a result of their work.

Review of effectiveness

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

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

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the staffing, finance and site committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board of Directors on 17/12/19 and signed on its behalf by:

A Bath
Accounting Officer

D J Harrison
Chair

SACRED HEART PARTNERSHIP OF SCHOOLS

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Sacred Heart Partnership of Schools I have considered my responsibility to notify the academy trust board of directors and the Education and 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 directors 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 directors and ESFA.

A Bath
Accounting Officer
17/12/19

SACRED HEART PARTNERSHIP OF SCHOOLS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who also act as trustees for Sacred Heart Partnership of Schools) are responsible for preparing the directors' report (including the strategic report) and the financial statements in accordance with the Academies Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the directors 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

Approved by order of the members of the board of directors on 17/12/19 and signed on its behalf by:

D J Harrison
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SACRED HEART PARTNERSHIP OF SCHOOLS

Opinion

We have audited the financial statements of Sacred Heart Partnership of Schools (the "charitable company") 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 financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the Academies: Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 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 Academies Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors, who also act as trustees for the charitable activities of Sacred Heart Partnership of Schools, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Claire Leece (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD 18/12/19

SACRED HEART PARTNERSHIP OF SCHOOLS

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2019 £000	Total 2018 £000
Income and endowments from:						
Donations and capital grants	4	-	81	107	188	43
Donations - transfer from local authority on conversion	30	-	(32)	4,367	4,335	4,413
Charitable activities:						
- Funding for educational operations	5	-	9,722	-	9,722	8,978
- Funding for teaching schools	29	-	49	-	49	47
Other trading activities	6	711	20	-	731	642
Investments	7	6	-	-	6	5
Total		717	9,840	4,474	15,031	14,128
Expenditure on:						
Charitable activities:						
- Educational operations	9	500	10,215	910	11,625	10,527
- Teaching schools	29	-	49	-	49	47
Total	8	500	10,264	910	11,674	10,574
Net income/(expenditure)		217	(424)	3,564	3,357	3,554
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension schemes	26	-	(773)	-	(773)	411
Net movement in funds		217	(1,197)	3,564	2,584	3,965
Reconciliation of funds						
Total funds brought forward		1,019	(302)	19,911	20,628	16,663
Total funds carried forward		1,236	(1,499)	23,475	23,212	20,628

SACRED HEART PARTNERSHIP OF SCHOOLS

BALANCE SHEET

AS AT 31 AUGUST 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	**14**		6		11
Tangible assets	**15**		23,469		19,900
			23,475		19,911
Current assets					
Stocks	**16**	8		7	
Debtors	**17**	398		189	
Investments		711		707	
Cash at bank and in hand		1,103		979	
		2,220		1,882	
Current liabilities					
Creditors: amounts falling due within one year	**18**	(847)		(580)	
Net current assets			1,373		1,302
Net assets excluding pension liability			24,848		21,213
Defined benefit pension scheme liability	**26**		(1,636)		(585)
Total net assets			23,212		20,628
Funds of the academy trust:					
Restricted funds	**21**				
- Restricted fixed asset funds			23,475		19,911
- Restricted income funds			137		283
- Pension reserve			(1,636)		(585)
Total restricted funds			21,976		19,609
Unrestricted income funds	**21**		1,236		1,019
Total funds			23,212		20,628

The financial statements on pages 19 to 45 were approved by the board of directors and authorised for issue on 17/12/19 and are signed on their behalf by:

D J Harrison
Chair

SACRED HEART PARTNERSHIP OF SCHOOLS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Cash flows from operating activities					
Net cash used in operating activities	24		(23)		(281)
Cash funds transferred on conversion			92		-
			69		(281)
Cash flows from investing activities					
Dividends, interest and rents from investments		2		5	
Capital grants from DfE Group		160		36	
Purchase of tangible fixed assets		(107)		(1,160)	
Purchase of investments		-		(707)	
Net cash provided by/(used in) investing activities			55		(1,826)
Net increase/(decrease) in cash and cash equivalents in the reporting period			124		(2,107)
Cash and cash equivalents at beginning of the year			979		3,086
Cash and cash equivalents at end of the year			1,103		979

1 Accounting policies

General information

Sacred Heart Partnership of Schools is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the directors' 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.

Basis of preparation

The financial statements of the Trust 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 financial statements 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 Trust is a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

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

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

The directors assess whether the use of going concern 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 as a going concern. The directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Sacred Heart Catholic Primary School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 30.

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.

1 **Accounting policies (Continued)**

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.

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, catering, income for school trips, school to school support, tuition, examinations and funds received for a staff secondment, is recognised in the period it is receivable and to the extent the Trust has provided the goods or services.

Donated fixed assets

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

Investment income

Interest receivable is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

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.

Charitable activities

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

1 **Accounting policies (Continued)**

Intangible fixed assets and amortisation

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- Computer software - straight line over 3 years

Tangible fixed assets and depreciation

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.

With regards to Sacred Heart Catholic High School, the playing field land is held on a 125 year lease from Newcastle City Council and the land on which the main school buildings for Sacred Heart Catholic High School, St Michael's RC Primary School and Sacred Heart Primary School are situated is held on a licence from the trustees of the RC Diocese of Hexham & Newcastle. As the risks and rewards have been transferred to the academy, the assets have been recognised within tangible fixed assets. The initial acquisition was recognised at existing use valuation.

Depreciation is provided on all tangible fixed assets other than freehold land, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Long term leasehold property	Straight line over 23.33 years
Computer equipment	Straight line over 3 years
Fixtures and fittings	Straight line over 10 years
Motor vehicles	Straight line over 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

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

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.

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 of services it must provide.

1 **Accounting policies (Continued)**

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

Investments
Current asset investments are stated at market value.

Financial instruments
The academy trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities
Financial assets and financial liabilities are recognised when the academy trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset of financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an agreement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flow expire or are settled, or substantially all the risks and the rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Stock
Catering stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

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 **Accounting policies (Continued)**

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'), which are multi-employer defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded multi-employer scheme and the assets are held separately. 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 reporting date. The amounts charged to net income 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 as other comprehensive income. Actuarial gains and losses are recognised immediately as other comprehensive income.

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 directors.

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

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

Agency arrangements

The academy trust acts as an agent in the administering of 16-19 bursary funds from the ESFA and SCITT bursary payments from the Student Loan Company. Payments received from the ESFA and Student Loan Company, and subsequent disbursements to students are excluded from the Statement of Financial Activities as the academy does not have control over the charitable application of the funds. The Academy can use up to 5% of the allocation towards its own administration costs for the 16-19 bursary funds and this is recognised in the Statement of Financial Activities. The funds received and paid and any balances held are disclosed in note 27.

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 26, 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.

3 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, Sacred Heart Catholic High School was subject to limits at 31 August 2019 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy trust has not exceeded these limits during the year ended 31 August 2019.

The funding agreements of St Michael's RC Primary School and Sacred Heart Catholic Primary School are not subject to a limit on the GAG available to carry forward.

4 Donations and capital grants

	Unrestricted funds £000	Restricted funds £000	Total 2019 £000	Total 2018 £000
Capital grants	-	160	160	36
Other donations	-	28	28	7
	-	188	188	43

The income from donations and capital grants was £188,000 (2018: £43,000) of which £81,000 was restricted (2018: £7,000) and £107,000 was restricted fixed assets (2018: £36,000).

5 Funding for the academy trust's educational operations

	Unrestricted funds £000	Restricted funds £000	Total 2019 £000	Total 2018 £000
DfE / ESFA grants				
General annual grant (GAG)	-	8,108	8,108	7,832
Other DfE group grants	-	1,610	1,610	1,122
	-	9,718	9,718	8,954
Other government grants				
Local authority grants	-	-	-	15
Other government grants	-	4	4	9
	-	4	4	24
Teaching schools income	-	49	49	47
	-	9,771	9,771	9,025

The income from funding for educational operations was £9,771,000 (2018: £9,025,000) of which £9,771,000 was restricted (2018: £9,025,000).

Other DfE group grants are made up of pupil premium, SEN funding, SC Initial Teacher Training, Strategic School Improvement Fund, curriculum fund for the geography department, Teachers pay grant, teaching schools income, early years block fund, primary school PE & meal grants and year 7 catch up grants. Other government grants are made up of LAC funding.

6 Other trading activities

	Unrestricted funds £000	Restricted funds £000	Total 2019 £000	Total 2018 £000
Hire of facilities	5	-	5	3
Catering income	373	-	373	313
School fund income	215	-	215	198
Other income	118	20	138	128
	711	20	731	642

The income from other trading activities was £731,000 (2018: £642,000) of which £711,000 was unrestricted (2018: £600,000) and £20,000 was restricted (2018: £42,000).

7 Investment income

	Unrestricted funds £000	Restricted funds £000	Total 2019 £000	Total 2018 £000
Interest from short term deposits	6	-	6	5

The income from funding for investment income was £6,000 (2018: £5,000) of which £6,000 was unrestricted (2018: £5,000).

8 Expenditure

		Non Pay Expenditure		Total	Total
	Staff costs £000	Premises £000	Other £000	2019 £000	2018 £000
Academy's educational operations					
- Direct costs	6,556	-	1,265	7,821	7,055
- Allocated support costs	944	1,876	984	3,804	3,472
Teaching schools					
- Direct costs	49	-	-	49	47
Total support costs	7,549	1,876	2,249	11,674	10,574

Net income/(expenditure) for the year includes:	2019 £000	2018 £000
Operating lease rentals	51	19
Depreciation of tangible fixed assets	905	714
Amortisation of intangible fixed assets	5	5
Net interest on defined benefit pension liability	15	19
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
- Audit	14	12
- Other services	3	6

9 Charitable activities

	Unrestricted funds £000	Restricted funds £000	Total 2019 £000	Total 2018 £000
Direct costs				
Educational operations	195	7,626	7,821	7,055
Teaching schools	-	49	49	47
Support costs				
Educational operations	305	3,499	3,804	3,472
	500	11,174	11,674	10,574

The expenditure on educational operations was £11,625,000 (2018: £10,527,000) of which £500,000 was unrestricted (2018: £518,000), £10,215,000 was restricted (2018: £9,290,000) and £910,000 was restricted fixed assets (2018: £719,000).

The expenditure on teaching schools was £49,000 (2018: £47,000) of which £49,000 was restricted (2018: £47,000).

	£000	Educational operations £000	Total 2019 £000	Total 2018 £000
Analysis of support costs				
Support staff costs	-	944	944	950
Depreciation and amortisation	-	910	910	718
Technology costs	-	180	180	162
Premises costs	-	966	966	832
Other support costs	-	566	566	570
Governance costs	-	238	238	239
	-	3,804	3,804	3,471

10 Central services

No central services were provided by the academy trust to its academies during the period and no central service charges arose.

11 Staff

Staff costs

Staff costs during the year were:

	2019 £000	2018 £000
Wages and salaries	5,807	5,528
Social security costs	577	544
Pension costs	1,067	1,015
Staff costs - employed	7,451	7,087
Agency staff costs	98	127
Staff restructuring costs	-	16
Total staff expenditure	7,549	7,230

Staff restructuring costs comprise:

Severance payments	-	10
Other restructuring costs	-	6
	-	16

Staff numbers

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

	2019 Number	2018 Number
Teachers	122	113
Administration and support	87	85
Management	18	16
	227	214

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	4	2
£70,001-£80,000	2	2
£80,001-£90,000	2	-
£110,001-£120,000	-	1
£120,001-£130,000	1	-

11 Staff (Continued)

Key management personnel

The key management personnel of the academy trust comprise the directors and the senior management team as listed on page 1. The total amount of employee benefits (including employer national insurance and pension contributions) received by key management personnel for their services to the academy trust was £568,362 (2018: £548,847).

12 Directors' remuneration and expenses

One or more of the directors has been paid remuneration or has received other benefits from an employment with the academy trust. The Chief Executive Officer and other staff directors only receive remuneration in respect of services they provide undertaking the roles of Chief Executive Officer and staff members under their contracts of employment, and not in respect of their services as directors.

The value of directors' remuneration and other benefits was as follows:

A Bath (Chief Executive Officer):
Remuneration £106,709 (2018: £102,570)
Employer's pension contributions paid £18,585 (2018: £16,903)

During the year ended 31 August 2019, £nil expenses for travel and subsistence were reimbursed to trustees (2018: £2,396).

Related party transactions involving the trustees are set out in note 27.

13 Directors and officers insurance

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

14 Intangible fixed assets

	Computer software £000
Cost	
At 1 September 2018 and at 31 August 2019	16
Amortisation	
At 1 September 2018	5
Charge for year	5
At 31 August 2019	10
Carrying amount	
At 31 August 2019	6
At 31 August 2018	11

15 Tangible fixed assets

	Long term leasehold property	Computer equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 September 2018	22,653	536	629	51	23,869
Transfer of asset	4,367	-	-	-	4,367
Additions	39	24	12	32	107
At 31 August 2019	27,059	560	641	83	28,343
Depreciation					
At 1 September 2018	3,294	462	189	24	3,969
Charge for the year	776	50	71	8	905
At 31 August 2019	4,070	512	260	32	4,874
Net book value					
At 31 August 2019	22,989	48	381	51	23,469
At 31 August 2018	19,359	74	440	27	19,900

With regard to the long term leasehold property included above, this should be read in conjunction with the statement below and the accounting policy.

With respect to the buildings from which the academy trust operates, these are legally owned by the Diocese of Hexham and Newcastle. Sacred Heart Partnership of Schools is able to use the buildings under the terms of supplemental lease agreements. The substance of the arrangement is such that Sacred Heart Partnership of Schools is able to obtain future economic benefits from unrestricted use of the asset. As such, the buildings are recognised as a fixed asset recorded at their fair value at the time of conversion. This is treated as the deemed cost.

16 Stocks

	2019	2018
	£000	£000
Catering stock	8	7

17 Debtors

	2019	2018
	£000	£000
Trade debtors	22	42
VAT recoverable	37	26
Other debtors	8	4
Prepayments and accrued income	331	117
	398	189

18 Creditors: amounts falling due within one year	2019 £000	2018 £000
Trade creditors	265	67
Other taxation and social security	157	128
Other creditors	201	232
Accruals and deferred income (see note 19)	224	153
	847	580

19 Deferred income	2019 £000	2018 £000
Deferred income is included within:		
Creditors due within one year	30	29
Deferred income at 1 September 2018	29	41
Released from previous years	(29)	(41)
Resources deferred in the year	30	29
Deferred income at 31 August 2019	30	29

At the balance sheet date the academy trust was holding funds received in advance for school trips, CIF income and early years income.

20 Financial instruments	2019 £000	2018 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	194	42
Carrying amount of financial liabilities		
Measured at amortised cost	(660)	(376)

21 Funds

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2019 £000
Restricted general funds					
General Annual Grant (GAG)	183	8,108	(8,207)	-	84
Other DfE / ESFA grants	100	1,663	(1,710)	-	53
Other government grants	-	4	(4)	-	-
Teaching schools	-	49	(49)	-	-
Other restricted income	-	140	(140)	-	-
Pension reserve	(585)	(124)	(154)	(773)	(1,636)
	(302)	9,840	(10,264)	(773)	(1,499)
Restricted fixed asset funds					
Inherited on conversion	16,089	4,367	(427)	-	20,029
DfE group capital grants	717	107	(48)	-	776
Capital expenditure from GAG	2,562	-	(410)	-	2,152
Capital expenditure from premises school fund	543	-	(25)	-	518
	19,911	4,474	(910)	-	23,475
Total restricted funds	19,609	14,314	(11,174)	(773)	21,976
Unrestricted funds					
General funds	1,019	717	(500)	-	1,236
Total funds	20,628	15,031	(11,674)	(773)	23,212

21 **Funds (Continued)**

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

General Annual Grant
General Annual Grant must be used for the normal running of the academy including salaries and related costs, overheads, repairs and maintenance and insurance. Under the funding agreement with the Secretary of State, Sacred Heart Catholic High School was subject to a limit on the amount of GAG that it could carry forward at 31 August 2019. Note 3 discloses whether the limit was exceeded.

The funding agreements of St Michael's RC Primary School and Sacred Heart Catholic Primary School are not subject to a limit on the GAG available to carry forward.

Other DfE/ESFA grants
This represents primarily pupil premium, SEN funding, SC Initial Teacher Training, Strategic School Improvement Fund, curriculum fund for the geography department, Teachers pay grant, teaching schools income, early years block fund, primary school PE & meal grants and year 7 catch up grants.

SEN funding is income to support students with Special Educational Needs.

Pupil premium is additional funding to be spent as the academy sees fit to support deprived children.

Teaching School funds are to help student teachers complete Initial Teacher Training within the school.

Other government grants
This includes LAC funding.

Other restricted funds
Other restricted funds includes donations and other income. These have been fully spent in the year.

Pension reserve
The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 26.

Restricted fixed asset funds
This represents capital grants and transfers from other funds to purchase fixed assets. Depreciation is charged against each fund over the useful life of the associated assets.

Unrestricted funds
Unrestricted funds can be used for any purpose, at the discretion of the trustees, within the objects of the academy trust.

Transfers between funds represent fixed assets purchased out of the premises school fund and fixed assets financed from GAG.

21 Funds (Continued)

Funds prior year

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	-	7,832	(7,762)	113	183
Other DfE / ESFA grants	137	1,122	(1,159)	-	100
Other government grants	95	24	(119)	-	-
Teaching schools	-	47	(47)	-	-
Other restricted income	-	49	(49)	-	-
Pension reserve	(692)	(103)	(201)	411	(585)
	(460)	8,971	(9,337)	524	(302)
Restricted fixed asset funds					
Transfer on conversion	12,000	4,516	(427)	-	16,089
DfE group capital grants	709	36	(28)	-	717
Capital expenditure from GAG	1,693	-	(237)	1,106	2,562
Capital expenditure from premises school fund	552	-	(27)	18	543
	14,954	4,552	(719)	1,124	19,911
Total restricted funds	14,494	13,523	(10,056)	1,648	19,609
Unrestricted funds					
General funds	2,169	605	(518)	(1,237)	1,019
Total funds	16,663	14,128	(10,574)	411	20,628

21 Funds (Continued)

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:	2019 £000	2018 £000
Sacred Heart Catholic High School	1,207	1,300
St Michael's RC Primary School	66	2
Sacred Heart Catholic Primary School	100	-
Total before fixed assets fund and pension reserve	1,373	1,302
Restricted fixed asset fund	23,475	19,911
Pension reserve	(1,636)	(585)
Total funds	23,212	20,628

Total cost analysis by academy

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

	Teaching and educational support staff £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2019 £000	Total 2018 £000
Sacred Heart Catholic High School	5,615	805	1,132	1,466	9,018	8,547
St Michael's RC Primary School	731	-	42	408	1,181	1,154
Sacred Heart Catholic Primary School	259	-	91	61	411	-
	6,605	805	1,265	1,935	10,610	9,701

22 Analysis of net assets between funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£000	£000	£000	£000
Fund balances at 31 August 2019 are represented by:				
Intangible fixed assets	-	-	6	6
Tangible fixed assets	-	-	23,469	23,469
Current assets	1,237	983	-	2,220
Creditors falling due within one year	(1)	(846)	-	(847)
Defined benefit pension liability	-	(1,636)	-	(1,636)
Total net assets	1,236	(1,499)	23,475	23,212

	Unrestricted Funds	Restricted funds: General	Restricted funds: Fixed asset	Total Funds
	£000	£000	£000	£000
Fund balances at 31 August 2018 are represented by:				
Intangible fixed assets	-	-	11	11
Tangible fixed assets	-	-	19,900	19,900
Current assets	1,019	863	-	1,882
Creditors falling due within one year	-	(580)	-	(580)
Defined benefit pension liability	-	(585)	-	(585)
Total net assets	1,019	(302)	19,911	20,628

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
	£000	£000
Amounts due within one year	14	17
Amounts due between one and five years	23	31
	37	48

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

	2019 £000	2018 £000
Net income for the reporting period (as per the statement of financial activities)	3,357	3,554
Adjusted for:		
Net surplus on conversion to academy	(4,335)	(4,413)
Capital grants from DfE and other capital income	(160)	(36)
Interest receivable	(6)	(5)
Defined benefit pension scheme costs less contributions payable	139	182
Defined benefit pension scheme finance cost	15	19
Depreciation of tangible fixed assets	905	714
Amortisation of intangible fixed assets	5	5
Movements in working capital:		
(Increase) in stocks	(1)	(4)
(Increase) in debtors	(209)	(19)
Increase/(decrease) in creditors	267	(278)
Net cash used in operating activities	(23)	(281)

25 Members' liability

Each member of the academy trust 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 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 South Tyneside Council. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012, and of the LGPS 31 March 2016.

Contributions amounting to £130,000 (2018: £120,000) were payable to the schemes at 31 August 2019 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 2014.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions along with those made by employers are credited to the Exchequer.

26 **Pension and similar obligations (Continued)**

Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to the TPS in the period amounted to £726,000 (2018: £633,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension 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 16.7% for employers and 5.5 to 12.5% for employees.

As described in note 30 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.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

26 **Pension and similar obligations (Continued)**

Total contributions made	**2019**	**2018**
	£000	**£000**
Employer's contributions	202	200
Employees' contributions	77	72
Total contributions	279	272

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 August 2019 by a qualified independent actuary.

	2019	**2018**
	%	**%**
Rate of increase in salaries	3.6	3.5
Rate of increase for pensions in payment/inflation	2.1	2.0
Discount rate for scheme liabilities	1.9	2.8
Inflation assumption (CPI)	2.1	2.0

The assumed life expectations on retirement age 65 are:

	2019	**2018**
	Years	**Years**
Retiring today		
- Males	21.9	22.9
- Females	25.1	26.4
Retiring in 20 years		
- Males	23.6	25.1
- Females	26.9	28.7

The academy trust's share of the assets in the scheme	**2019**	**2018**
	Fair value	**Fair value**
	£000	**£000**
Equities	2,925	2,558
Gilts	183	152
Other bonds	509	424
Cash	94	83
Property	384	322
Other assets	371	249
Total fair value of assets	4,466	3,788

The actual return on scheme assets was £260,000 (2018: £664,000).

26 **Pension and similar obligations (Continued)**

Amount recognised in the Statement of Financial Activities	**2019 £000**	**2018 £000**
Current service cost	341	382
Net interest cost	15	19
Total operating charge	356	401

Changes in the present value of defined benefit obligations	**2019 £000**
At 1 September 2018	4,373
Transferred in on existing academies joining the academy trust	346
Current service cost	341
Interest cost	126
Employee contributions	77
Actuarial loss	922
Benefits paid	(83)
At 31 August 2019	6,102

Changes in the fair value of the academy trust's share of scheme assets	**2019 £000**
At 1 September 2018	3,788
Transferred in on existing academies joining the academy trust	222
Interest income	111
Return on plan assets (excluding net interest on the net defined pension liability)	149
Employer contributions	202
Employee contributions	77
Benefits paid	(83)
At 31 August 2019	4,466

27 Related party transactions

All transactions involving related parties or connected parties are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures, except unless otherwise stated,

During the year the Academy Trust entered into the following transactions with a company in which a trustee is a member:

- Paid contributions towards Diocesan Department for Education of £16,348 (2018: £14,481) Amounts outstanding at the year end and included in trade creditors is £183 (2018: £38).
- In entering into the transaction the trust has complied with the requirements of the Academies Financial Handbook 2018.
- The element above £2,500 has been provided 'at no more than cost'.

Income related party transaction:
During the year the Trust received £12,754 from a company in which a trustee has control. No amounts are outstanding at the year end.

Key management personnel compensation disclosure is included in note 11 and disclosure of trustee remuneration and expenses are included in note 12.

There are no other related party transactions to disclose.

28 Agency arrangements

The academy administers the disbursement of the new discretionary support for learners, 16-19 bursary funds, on behalf of the ESFA. In the year it received £38,301 and disbursed £32,578. Included in accruals and deferred income is £39,537 (2018: £33,814) at the year-end to be disbursed in 2019/20.

In addition the academy administers the disbursement of bursary funds, on behalf of the School Loans Company. In the year it received £506,000 and disbursed in full.

29 Teaching schools trading account

	2019		2018	
	£000	£000	£000	£000
Direct income				
Other external funding		49		47
Direct costs				
Direct staff costs	49		47	
Total operating costs		(49)		(47)
Surplus from teaching schools		-		-
Teaching schools balances at 1 September 2018		-		-
Teaching schools balances at 31 August 2019		-		-

30 Conversion to an academy

On 1 May 2019 the Sacred Heart Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Sacred Heart Partnership of Schools from the Newcastle City Council Local Authority for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations – transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

Academy	Location	Date of conversion
Sacred Heart Catholic Primary School	Newcastle	1 May 2019

Net assets transferred:	2019 £000
Freehold land and buildings	4,367
Cash	92
Pension scheme deficit	(124)
	4,335

Funds surplus/(deficit) transferred:	Unrestricted Funds £000	Restricted funds: General £000	Restricted funds: Fixed asset £000	Total 2019 £000
Fixed assets funds	-	-	4,367	4,367
LA budget funds	-	92	-	92
LGPS pension funds	-	(124)	-	(124)
	-	(32)	4,367	4,335

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SACRED HEART PARTNERSHIP OF SCHOOLS AND THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement in accordance with the terms of our engagement letter dated 20 June 2017 and further to the requirements of the Education and Skills Funding Agency ("ESFA") as included in the Academies Accounts Direction 2018 to 2019, to obtain limited assurance about whether the expenditure disbursed and income received by Sacred Heart Partnership of Schools 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.

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.

Basis for conclusion

The framework that has been applied is set out in the Academies Accounts Direction 2018 to 2019 Part 9: Regularity Reporting. We are independent of Sacred Heart Partnership of Schools in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Sacred Heart Partnership of Schools's accounting officer and directors

The accounting officer is responsible, under the requirements of Sacred Heart Partnership of Schools's funding agreement with the Secretary of State for Education dated 1 August 2011 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. The accounting officer is also responsible for preparing the Statement of Regularity, Propriety and Compliance. The directors (who also act as trustees of the charitable company) are responsible for the proper conduct and financial operation of Sacred Heart Partnership of Schools and appointment of the accounting officer.

Reporting Accountant's responsibilities for reporting on regularity

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.

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 the procedures vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 identified by Parliament or that the financial transactions do not conform to the authorities which govern them.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SACRED HEART PARTNERSHIP OF SCHOOLS AND THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the funding agreement with the Secretary of State for Education, the Academies Financial Handbook 2018 published by the Education and Skills Funding Agency and high level financial control areas where we identified a material risk of irregularity is likely to arise. It also included areas assessed as presenting a higher risk of impropriety. We undertook detailed testing, on a sample basis, based on the identified areas where a material irregularity is likely to arise, or potential impropriety where such areas are in respect of controls, policies and procedures that apply to classes of transactions. Our work was undertaken with due regard to the 'Evidence to support conclusion on regularity' guidance in Academies Accounts Direction 2018 to 2019.

This work was integrated with our audit on the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to Sacred Heart Partnership of Schools and the ESFA in accordance with the terms of our engagement letter dated 20 June 2017. Our work has been undertaken so that we might state to the Sacred Heart Partnership of Schools and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Sacred Heart Partnership of Schools and the ESFA, for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered accountants
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Dated: 18/12/17