

**Company Registration No. 08840373 (England and Wales)**

**THE HARMONY TRUST LTD**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**TRUSTEES' REPORT AND AUDITED ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

# THE HARMONY TRUST LTD

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# THE HARMONY TRUST LTD

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Members

M Simmons  
P Makin  
D Wall  
Oldham Hulme Grammar School  
C Thorne (Resigned 4 January 2018)

### Trustees

A Hughes (Accounting Officer)  
P Makin (Chair of Trustees)  
S Bakht  
S Bashir (Appointed 18 September 2017)  
A Forbes (Appointed 18 September 2017)  
C Thorne (Appointed 5 January 2018)  
G McGuffie (Appointed 18 September 2017)  
N Hole (Appointed 18 September 2017)  
M Simmons

### Senior management team

- Chief Executive	A Hughes
- Director of Infrastructure	M Williams
- Head of HR & ICT	T Mellor
- Director of Finance	S Thompson
- Head of Data Safeguarding & Health & Safety	W May
- Executive Principal (Greenhill & Harmony Teaching School Alliance)	M Eccles
- Executive Principal (Richmond & Northmoor)	J Hainsworth
- Executive Principal (Alt)	M Dickens
- Executive Principal (Westwood)	J Bell

**Company secretary** S Thompson

**Company registration number** 08840373 (England and Wales)

**Registered office**  
Greenhill Academy  
Harmony Street  
Oldham  
Lancs  
OL4 1RR

# THE HARMONY TRUST LTD

## REFERENCE AND ADMINISTRATIVE DETAILS

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<b>Academies operated</b>	<b>Location</b>	<b>Principal</b>
Greenhill Academy	Greater Manchester	M Eccles
Alt Academy	Greater Manchester	M Dickens
Westwood Academy	Greater Manchester	J Bell
Richmond Academy	Greater Manchester	J Hainsworth
Northmoor Academy	Greater Manchester	J Hainsworth
Cavendish Close Junior Academy	Derbyshire	E Smith
Village Primary Academy	Derbyshire	D Beeston
Ash Croft Primary Academy	Derbyshire	M Ubhie
<b>Independent auditor</b>	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT	
<b>Bankers</b>	Lloyds Bank PLC 25 Gresham Street London EC2N 7HN	
<b>Solicitors</b>	Eversheds LLP Eversheds House 70 Great Bridgewater Street Manchester M1 5ES	

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

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The trustees present their annual report together with the accounts and auditor's report of the charitable company for the year 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The multi-academy trust operated five primary academies in Oldham, and two primary and one junior academy in Derby during the year. Its academies have a combined pupil capacity of 404 part time 2 year old and nursery and 3,335 primary places and had a roll of 3,337 in the school census summer 2018.

The Trust has continued to implement a new model of governance with the establishment of forums in every academy for pupils, parents and staff to provide greater influence for these groups in the Trust's strategic priorities and direction. Forums were involved in key initiatives and priorities such as Read Achieve Succeed, improving school attendance, and parental engagement in their children's learning. The forum model was also implemented in the Trust's new Derby academy (Cavendish Close Juniors) this year. It also included the establishment of sub-committees to provide greater scrutiny of pupil standards and finance and risk, and the establishment of Academy Improvement Boards where there needs to be closer support and challenge on the progress being made in an individual academy. The model of governance is providing both greater engagement in the Trust and a better method of scrutinising performance against key indicators. In addition, internal structures were strengthened to increase strategic collaboration. The Trust Leadership Team (TLT) includes all senior leaders within the Trust and oversees the implementation of the strategic plan and monitoring of performance and risk. Leadership and governance were identified as key strengths in published Ofsted reports early in September 2017. Throughout 2017/18, all senior leaders participated in a Trust Leadership Development plan. In addition, a Learning Matters Steering Group (LMSG), involving all of the Executive Principals, the Director of Infrastructure and the CEO, was set up to lead strategic developments across the Trust and address any emerging issues and challenges.

#### **Structure, governance and management**

##### Constitution

The multi-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 multi-academy trust.

The charitable company operates as The Harmony Trust Ltd. The names of the academies are as follows:

##### Oldham

- Alt Academy
- Greenhill Academy
- Richmond Academy
- Northmoor Academy
- Westwood Academy

##### Derby

- Cavendish Close Junior Academy
- Ash Croft Primary Academy
- Village Primary Academy

Harmony Trust Teaching School Alliance also forms part of The Harmony Trust Ltd.

The trustees of The Harmony Trust Ltd are also the directors of the charitable company for the purposes of company law. Details of the trustees who served during the year, and to the date these accounts are approved, are included in the Reference and Administrative Details on page 1.

##### Members' liability

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

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Trustees' indemnities

There have been no qualifying third party indemnity provisions in place for the year 1 September 2017 to 31 August 2018 (2017: nil).

#### Method of recruitment and appointment or election of trustees

The method of recruitment and appointment of Trustees' is laid down in the articles and memorandum of association. Their number shall be not less than three. The members may appoint four through such process as they may determine. The Chief Executive Officer will be a Trustee, the total number of Trustees including the Chief Executive Officer who are employees of the company shall not exceed one third of the total number. There shall be up to two Parent Trustees elected across the Trust as a whole. The Trustees may also choose to appoint a 'Co-opted Trustee'.

Trustees serve a term of office of four years and may be re-appointed or re-elected.

#### Policies and procedures adopted for the induction and training of trustees

The Trustees have a vital role in our organisation. We aim to attract and retain people who have commitment, experience and the necessary skills to make a difference in the communities that we serve.

Training for the Trustees is recorded, and delivered on four levels:

- There is a training element to each main meeting delivered in-house
- External speakers deliver key elements, particularly covering statutory responsibilities
- This is supplemented by attendance at regional events
- Email alerts from National Bodies

#### Organisational structure

The Chief Executive is the Accounting Officer of the Trust and, as such has ultimate responsibility for the operations and controls in place. At the point of approval of these financial statements The Harmony Trust Ltd included the following academies:

<b>Academy</b>	<b>Date of Conversion</b>	<b>Type</b>
Greenhill Academy	1 February 2014	Primary (Lead Converter)
Alt Academy	1 October 2014	Primary (Sponsored)
Westwood Academy	1 November 2014	Primary (Sponsored)
Richmond Academy	1 November 2014	Primary (Sponsored)
Northmoor Academy	1 September 2016	Primary (Sponsored)
Cavendish Close Junior Academy	1 September 2017	Primary (Sponsored)
Village Primary Academy	1 May 2018	Primary (Converter)
Ash Croft Primary Academy	1 June 2018	Primary (Sponsored)
Reigate Park Primary Academy	1 September 2018	Primary (Sponsored)
Alvaston Junior Academy	1 September 2018	Primary (Converter)
Cottons Farm Primary Academy	1 September 2018	Primary (Sponsored)

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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The Harmony Trust Ltd has an experienced Board of Trustees in place, who are responsible for identifying and establishing strategies and policies and for ensuring they are implemented. Where appropriate, duties are delegated to committees, and employees of The Harmony Trust Ltd.

During the year to 31 August 2018 the Board of Trustees had a Finance, Audit and Risk committee and a Standards Pay and Performance committee to assist them in carrying out their responsibilities.

Committee terms of reference are reviewed and agreed on an annual basis by the Board of Trustees. The Trustees have a detailed scheme of delegation for effective and efficient decision making for its committees and senior staff throughout The Harmony Trust Ltd.

The appointment of Trustees, auditors, approval of annual financial statements and budgets, along with the approval of policies and procedures implemented within the Trust remain the responsibility of the Board.

#### Arrangements for setting pay and remuneration of key management personnel

The salaries of the key management personnel of the Multi Academy Trust central team are set by the Board of Trustees at a level consistent with the skills and experience required and appropriate to market rates. These link to annual performance reviews which are overseen by an external and independent advisor.

The scheme of delegation requires that any pay recommendations for the CEO must be approved by the Chair of the Board of Trustees plus one other Board Member, and other Senior Leadership / executive roles by the CEO and the appropriate committee.

Performance Management reviews are conducted by the Chair of the Board for the CEO and then through the scheme of delegation, by the CEO, or delegated, via the Scheme of Delegation, annually for the Senior Management personnel. For key Senior Leadership & Director level posts these reviews are overseen by an independent advisor commissioned on behalf of the Board of Trustees.

Performance is measured in terms of setting objectives with robust targets that deliver key strategic priorities across the Trust.

Senior management personnel are considered to be the key staff in driving the continued success of the Trust and their pay is set to reflect this and to recruit and retain excellent staff. This is also viewed with best value in mind and is looked at in terms of benchmarking against other similar academy trusts and other sectors where applicable.

The Board of Trustees take great care to ensure the public obtain value for money from the personnel appointed within the trust and are attentive to excessive levels of pay. The Board of Trustees and its sub committees and any changes to previously approved salary ranges are reported, discussed and challenged through this process, this includes annual reports and recommendations for senior leaders to the Pay and Performance Committee. All reports submitted follow an evidence based process and reflects the individuals roles and responsibilities and the context & challenges the particular role faces.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### 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	0.80

#### *Percentage of time spent on facility time*

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

#### *Percentage of pay bill spent on facility time*

Total cost of facility time	8,503
Total pay bill	11,504,525
Percentage of the total pay bill spent on facility time	-

#### *Paid trade union activities*

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
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# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Related parties and other connected charities and organisations

Greenhill Academy is the sponsor Academy for Alt, Westwood, Richmond, Northmoor, and Cavendish Close Junior, Village Primary is a convertor and Ash Croft Primary Academy is sponsored. The CEO of the Trust supports each of the Principals and there is academy to academy support on an ongoing basis. Increasingly, staff from across the academies are working together on common priorities.

Over the year, the Trust has continued to follow its strategy of developing external partnerships with other multi-academy Trusts, schools, TSAs and education research organisations that add value to the work with pupils, parents, and staff in the Academies and across the local area. This continues to focus on priority areas identified in the Trust's Strategic Plan, including: collaboration on provision for newly arrived families; leadership support for schools in Derby and Oldham's Opportunity Area; a 'Countdown to Success' programme for practitioners in Oldham and Derby; developing approaches to reading comprehension; professional development on working with children with English as an additional language and literacy; and raising school attendance across the Trust. Relationships were also developed with national organisations that provide high quality leadership and development programmes for staff working in challenging areas. National experts have also been brought into the Trust to speak to school leaders about key areas of practice like the attainment of children eligible for Pupil Premium.

The Trust also worked with a range of partners to provide more opportunities for children related directly to the curriculum. This included working with the Tutor Trust in 2017/18 to pilot a scheme where undergraduates and post-graduates provide tuition to children in English and Maths. It also piloted successfully the Prince William Award in every Academy in partnership with Skill Force, the charity employing ex-servicemen and servicewomen to support children's character development. The Trust has also strengthened further the Read, Achieve, Succeed initiative, and plans to develop this further next year with more involvement from corporate sponsors.

A strategic partnership with Teach First continues to develop, making a strong contribution to reducing historic challenges around recruitment and retention in some of our academies.

The Trust is also leading on a number of local and national programmes targeted at educational priorities in Oldham, including a Strategic School Improvement Fund (SSIF) programme focused on equipping teachers and leaders with strategies to raise the attainment of children who have English as an additional language, and a programme focused on literacy.

A partnership with the local independent school, Oldham Hulme Grammar, continues to add great value, including the continuation of a reading volunteer's programme that led to greater progress in reading for the selected cohort, and additional Maths Mastery sessions.

There are further strong links with other Teaching School Alliances, including collaboration with Harmony TSA and Manchester Nexus on Initial Teacher Training and joint work with other locally-based TSAs on Oldham's Opportunity Area on school improvement. Towards the end of 2017/18 the Harmony TSA began providing school improvement services to other schools in Oldham through the local Opportunity Area.

The Trust has engaged all Oldham staff in a major consultation exercise to underpin the next phase of its Great Place to Work strategy. This was a primary focus of four insets over the course of the year and has resulted in the development of a set of further strategic measures to improve staff engagement and wellbeing.

The Trust has used the services of Learn Sheffield during 2017/18, Learn Sheffield is a not for profit schools company which is focussed on school improvement and owned by Sheffield's schools and colleges (who own 80%) in partnership with Sheffield City Council (who own 20%). The Harmony Trust Ltd CEO sits as a co-opted Director on the Learn Sheffield Board.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Objectives and activities**

#### Objects and aims

The Harmony Trust Ltd is registered at Greenhill Academy and central staff are based at Northmoor Academy Oldham and Alvaston Junior Academy Derby. Our commitment is to continue to work with other schools in Oldham and Derby as well as support our own academies and to develop over time three local 'Hubs' primarily serving areas of disadvantage and where social mobility is relatively low.

Our aim is to ensure that we give children the best education that we can. We believe that school should be a place where every child achieves and succeeds and all make good progress in every year group, in every subject and during every school day. Developing well-being, essential life skills, and self-esteem is essential to ensuring children have a good start in life, alongside raising attainment and achievement.

Our vision is to provide an excellent primary education in areas where standards of education and aspiration need to improve. We aim to prepare our children for the opportunities, responsibilities and experiences of life, through a balanced, deep, and broad high quality education, in a caring and stimulating environment where the school community learns and achieves together.

We believe that investing in the professional development of our workforce is crucial to ensuring good outcomes for children – an organisation where 'learning matters' and every member of staff is supported to develop. Through our Great Place to Work Strategy, we commit to ensuring that all of our staff have the training and support to be successful in their roles as well as focusing on their well-being and ensuring workload is not excessive.

We recognise the strengths of every school in the Trust and that is why our Teaching School Alliance involves them all, including a developing team of Harmony Specialist Leaders of Education (SLE) and a model of 'placement schools'. We believe in developing and promoting good relationships with parents, so that they are partners in learning, whilst making meaningful links with the local and wider community, in Oldham, Derby, and beyond. We are scrupulous about working within legal frameworks, and ensure our strong policy framework is fit for purpose and constantly under review.

#### Objectives, strategies and activities

We ensure that our academies provide:

- high quality education delivered by excellent staff
- differentiated learning
- a caring, supportive, safe learning environment

We are committed to:

- the health, welfare and overall development of all
- being a local employer of choice
- the inclusion of all
- including all our partners in raising achievement.

Our pupils have:

- high self esteem
- respect for themselves, others and our world
- responsibility for their own behaviour and learning
- the ability to assess their own learning needs and be expert learners
- positive attitudes to learning and play
- a sense of pride in their academy and the Trust.

#### Public benefit

The trustees have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission in exercising their powers and duties.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### Strategic report

#### Achievements and performance

This report covers a period of expansion for the Trust. During the year The Harmony Trust Ltd had eight academies, 'Greenhill Academy' the lead converter academy, 1 converter (Village joined 1/5/18) and 6 sponsored academies, Alt, Richmond, Westwood, Northmoor, Cavendish, and Ash Croft joined 1/6/18. The Trust expanded into a new geographical area, Derby, having 3 academies in the MAT by the end of the 2017-18 academic year.

Achievement and performance of academies is detailed below. For accurate comparison, data is shown by Oldham hub and overall. Please note, Village and Ashcroft joined at the end of the academic year and performance data for these schools in 2018 still falls under the Local Authority.

In September and October 2017 three of Harmony's sponsored Academies – Alt, Richmond, and Westwood – were inspected. These were schools that had all been deemed 'inadequate' prior to the Trust's involvement. All three were judged "Good" across all areas, with some Outstanding features. This was a significant external validation of the Trust's ability to support major improvements in the quality of education and pupil outcomes.

It is worth noting that the context facing the Oldham Academies has become more challenging over this period. Levels of pupil mobility and English language proficiency are significant strategic challenges, as is the proportion of families who are newly arrived. For example, over 50% of children in Northmoor Academy were newly arrived at various points in the year, and the Academy received around a third of the Fair Access admissions in Oldham. These are all areas where the Trust is prioritising resources, particularly investment in professional development in working with EAL and INA children, and developing new models of working. This also includes the implementation of a multi-disciplinary team operating across the five Oldham academies from its Northmoor base. The Trust has a series of approaches in place to ensure that our staff have the expertise to manage the challenges that emerge from these contextual changes and that there is strong oversight from Trustees to ensure school leaders have the support they need.

The following sections look at this year's cohort's performance across the school in national published assessments.

Overall, children enter all academies at least below the expected standard for their age (on entry data held at individual academy level). This situation is being exacerbated by increasingly high levels of mobility over the early years and key stage 1 across at least three of the Oldham academies. By the end of foundation stage, the following % of pupils have reached a good level of development:

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 2018 good level of development (GLD)

	Alt	Greenhill	Northmoor	Richmond	Westwood	Trust	National (2017)
No. in cohort	45	66	58	51	24	356	
GLD	60%	58%	36%	55%	50%	57%	71%

	Ashcroft	Village	Cavendish	National (2017)
No. in cohort	24	88	0	
GLD	50%	72%	N/A	71%

This is compared to:

### 2017 good level of development (GLD)

	Alt	Greenhill	Northmoor	Richmond	Westwood	Trust	National (2016)
No. in cohort	45	61	29	60	22	217	
GLD	61%	59%	31%	68%	55%	58%	69%

For Oldham academies at the end of Reception, there has been a slight drop in outcomes compared to 2017 but this is on par to the outcomes in 2016 minus Northmoor Academy. Richmond academy showed a 13% drop from 2017 (on par with 2016). Analysis of this at academy level shows that pupils made good progress from entry to end of reception; mobility was a factor as was variations in cohort compared to the previous year. For Northmoor, there was a 5% increase in the GLD and the cohort size had doubled. This is a positive picture (albeit still very low) but it does have an impact on the overall Trust weighted-average.

For Key Stage 2, pupils continue to achieve well and make good progress and by the end of Key Stage 2 are typically at or above National averages in all subjects except Reading.

On aggregate, the percentage of pupils at the expected standard in reading, writing and mathematics combined at the end of KS2 across the Trust in 2016-7 was 61% compared to 64% nationally (with relevant pupils discounted from numbers). In 16-17 it was 68% compared with 61% and in 2015-16 it was 44% compared to 53% nationally. This shows a slight decline from 2016-17 but still a 17% improvement on 2016 performance against a context of increasing pupil mobility and high proportions of children who are newly arrived in the UK.

The DfE also published separate data for sponsored academies as well as converter academies. This is complicated in 2017-18 due to the numbers of schools who have joined at varying points of the year.

For our Oldham sponsored academies, the aggregate KS2 R,W,M expected combined measure was 49% compared to 57% nationally. In 2016-17 this was 69% compared to 52% nationally and in 2015-16 our sponsored academies achieved 42% at the expected standard compared to 43% nationally. This shows a decline from 2016-17 but an increase on 2015-16. The decline in 2017-18 is largely attributed to lower results in reading and this continues to be an area of priority focus across the Trust, as set out in the Trust Strategic Plan.

For all sponsored academies (Alt, Richmond, Northmoor, Westwood, Ashcroft and Cavendish), the aggregate was 47%.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

For converter academies, in 2017-18, Greenhill Academy achieved 62% and the aggregate for Greenhill and Village Academies was 56%. This is compared to 67% nationally. Village joined the Harmony Trust on 1.5.18. In 2016-17 Greenhill Academy achieved 66% compared with 65% for converter schools nationally. In 2015-16 Greenhill achieved 48% in reading, writing and maths combined at KS2, compared with 57% for converter schools nationally.

There has been some variation in the performance of groups across the Oldham academies in 2017-18. Girls have performed better than boys in the KS2 combined measure, predominantly as a result of lower reading scores for boys. Disadvantaged pupils performed lower than their non-disadvantaged counterparts again with reading being the biggest gap (and some gap in maths).

Provisional data for pupil progress suggests that academies will be in the top percentiles for mathematics and writing and generally average progress for reading. Further analysis of progress will be made once ASP data is released by the DFE.

#### Attendance

Attendance figures for the reporting year are issued after the publication of this report. 2017-18 internal data shows that all schools in the Oldham group have shown improved attendance and are moving closer to National. Westwood academy is now slightly above national.

#### **Attendance 2017-18 (Y1-Y6 except Cavendish which is KS2 only)**

	Attendance %	National %
Greenhill	95.7	96.0
Richmond	95.6	96.0
Alt	94.3	96.0
Westwood	96.3	96.0
Northmoor	93.4	96.0
Ashcroft	95.4	96.0
Cavendish	94.7	96.0
Village	95.6	96.0

#### **Attendance 2016-17**

	Attendance %	National %
Greenhill	95.0	96.0
Richmond	95.0	96.0
Alt	93.9	96.0
Westwood	95.2	96.0
Northmoor	92.2	96.0

#### **Attendance 2015-16**

	Attendance %	National %
Greenhill	94.3	96.0
Richmond	95.4	96.0
Alt	94.0	96.0
Westwood	94.4	96.0

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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Internal Persistent absence figures for 2017-18 were:

2017 / 2018 Academic Year (Y1 – Y6)				
Academy	PA	Not PA	Total on Roll	% PA
Alt	45	242	287	16%
Greenhill	28	349	377	7%
Northmoor	113	337	450	25%
Richmond	51	360	411	12%
Westwood	16	169	185	9%
<b>Oldham</b>	<b>253</b>	<b>1457</b>	<b>1710</b>	<b>15%</b>
Alvaston	35	327	362	10%
Ash Croft	26	209	235	11%
Cavendish	57	302	359	16%
Cottons	22	110	132	17%
Reigate	50	274	324	15%
Village	49	485	534	9%
<b>Derby</b>	<b>239</b>	<b>1707</b>	<b>1946</b>	<b>12%</b>
<b>Trust</b>	<b>492</b>	<b>3164</b>	<b>3656</b>	<b>13%</b>

This is based on 10% persistent absence threshold. This means that any pupil below 90% attendance is deemed persistently absent. This measure has altered in recent years and is now a more stringent measure than previously.

### Curriculum

The curriculum across our academies is enriched with the use of:

- curriculum weeks
- curriculum events
- residentials
- sports activities
- trips and visitors, alongside
- many varied extra curriculum clubs and activities

Principals have the autonomy to develop an evidence-based curriculum that best meets the particular needs of their children and this is happening across the Trust. In addition, all academies and their forums have been involved in the development of a Harmony Pledge – the Trust's commitment to provide a high quality and broad set of experiences and essential life skills through the curriculum and teaching and learning.

The priorities at each academy are to:-

- Continue to raise attainment throughout the academy
- All pupils to make good and accelerated progress, including groups vulnerable to low attainment such as children with special educational needs, boys, and disadvantaged children
- Improve and sustain the quality of teaching so that teaching is consistently good or better
- Monitor and evaluate academy performance
- Strengthen curriculum provision and learn from approaches being taken across the Trust
- Improve and grow provision in the Early Years, including encouraging families to access nursery provision from the earliest possible age and expanding the amount of Under 3 provision available.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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This year there has been a major focus on practitioner-led collaboration across our Oldham Academies through the implementation of Harmony Learning Communities (HLC). These communities of practice have looked at different aspects of provision, including the curriculum, that relate to the priorities in the strategic plan. The HLCs have applied research from the Education and Endowment Foundation to identify whether current practice will have the greatest impact on pupil outcomes and represents the greatest value for money.

Trustees have identified professional development is a key strategic priority for the next three years, and have committed to increasing the amount of days allocated for high quality programmes focused on Trust priorities and generic leadership and management – working up to ten days per annum of bespoke professional development for every teacher. We provide programmes for:

- Teachers and teaching assistants in priority areas of teaching and learning
- Senior Leaders are developed through external training programmes, including those from strategic partnerships with organisations like Ambition School Leadership
- Individual development is linked to performance management alongside peer to peer support
- Coaching and mentoring for leaders, including from experienced executive leaders from other Multi-Academy Trusts and consultant school leaders
- Additional 'hands on' support from specialist coaches in teaching and learning for teachers that require extra help

Parental involvement in learning and school life is essential to building up relationships and supporting pupils learning at home. The Trust recognises that parents are a child's first educators and works to enable them to support learning as partners.

The new parent forums have established new and wider relationships with parents on academy and Trust level priorities. In addition, all academies have focused on extending opportunities for families, such as:-

- Sessions on supporting children with their reading and mathematics
- Lifelong learning classes
- ICT skills
- Coffee mornings
- Keep fit sessions
- Drama activity
- Workshops on the subjects being studied at the academies by parents' children

The promotion of Community is underlined with links to many schools as part of school improvement, and Oldham schools linking project. Pupils, across all 4 schools, work hard to raise money for local, national and international charities, and this is often led by Pupil Forums.

#### Key Performance Indicators

The Trust has three main KPI's:

To ensure that at next Ofsted inspection all academies are at least Good

To ensure that each academy has robust and sound finances and, wherever possible, have balanced or surplus budgets

To ensure that the measurable pupil outcomes exceed national expectations and national averages

In the main, these KPIs have been met over the course of the year with academies performing very well against targets and priorities. The exception is around Reading currently being below national averages in our established academies (i.e. those that have been sponsored for three years or more).

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Achievement

External marking of KS2 SATs tests, alongside Local Authority moderation (of Year 6, Year 2, Year 1 and Reception results) demonstrate that teachers judgements are sound. Individual pupil, academy, and Trust targets set expectations for improvements in quality of provision and achievement. All pupils have summative progress targets set and outcomes are internally moderated. Each academy has robust and sound finances and their individual academy budgets are either balanced or have a surplus following effective support from the Trust's finance team.

This year, the Trust added two new regular meetings with Academy Principals – 1) Progress and Standards Roundtables, which look at the progress being made by every year group in the academy following pupil progress meetings and submission of termly assessment data; and 2) Finance Roundtables – which look strategically and in real time at the financial position of each individual academy.

### Self-Evaluation

The Trust Leadership Team evaluates the challenges and successes across its academies and the current strategic response in a number of ways:

- By regularly updating the strategic plan in response to data covering performance (including extensive use of data dashboards) and insight from pupil, parent, and staff forums.
- Peer and external review of the academy's quality of provision – sometimes this will be on a particular area, such as a review this year of SEN practice and provision in Greenhill Academy, or a review of the whole school, which happened in Northmoor. Reviews normally involve external partners.
- Principals are responsible for monitoring and evaluating the quality of provision in their academies, but raise any issues with the CEO and/or through the leadership group.

### Reporting

Twice termly detailed reports are completed by the Chief Executive Officer, who reports progress on the plan to the Board of Trustees and key issues affecting individual academies. These reports were cited by Ofsted as providing Trustees with the information they need to perform their duties effectively. Data is provided to the Board on safeguarding and key performance indicators and delivery plans, including the ongoing impact of Raising Achievement Plans and action taken on attendance.

### Going concern

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

### **Financial review**

The Harmony Trust Ltd income is derived in the main from the Department of Education (DFE) via the Education & Skills Funding Agency (ESFA) in the form of revenue and capital grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The restricted fixed asset fund balance is reduced by annual depreciation charges over the useful life of the assets concerned.

Incoming resources during the year ended 31 August 2018 totalled £36.7m (2017: £19.2m) and were sufficient to cover outgoing resources and provided a surplus of £19.9m (2017: £7.5m) before transfers and other recognised gains and losses.

At the 31 August 2018 the net book value of fixed assets was £39.9m (2017: £17.9m). The assets were used exclusively for providing education and the associated support services to the pupils of the Trust. At the 31 August 2018 the Net assets excluding pension liability was £41.8m (2017: £19.5m).



# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### Reserves policy

The Trustees have established a reserves policy, the purpose of which is to ensure the stability of the Trust's organisational operations and its charitable activities by providing a financial comfort zone against an unpredictable future. This restricts the impact of any risk upon continuing operations. The reserves policy complements future strategic planning and will assist decision making.

Current reserves are deemed to be at the right level, medium term financial planning and robust budget monitoring procedures will involve maintaining an acceptable level of reserves. The reserves policy will be reviewed annually and the level agreed may fluctuate depending on circumstances. In the short to medium term we hope to increase the level of reserves through growth, savings created by a detailed review of infrastructure, on contracts, staffing levels and also, through income generation to provide an enhanced level of stability.

Individual academies are expected to work within at least breakeven budgets each year, but the Trust recognises that this is not feasible in some cases where academies have low pupil numbers and lower funding levels from the ESFA. In these cases the Trust supports academies facing a deficit and supports them to return the academy to a surplus position.

Unrestricted reserves of the Trust are pooled for the benefit of the Trust as a whole and the consolidated Trust budget is set at least as a breakeven budget. The Reserves of the Trust are broken down into Restricted Fixed Asset Reserves, Restricted General Reserves, Unrestricted Reserves (free reserves), and the Pension Reserves.

### **Restricted Fixed Asset Reserves**

At 31 August 2018 the balance of the Fixed Asset Reserve stood at £39.9m these assets are used by the Trust exclusively for providing education.

### **Restricted General Reserves**

Restricted Income Funds must be spent by the Trust on the provision of education. At the 31 August 2018 these funds totalled £0.6m all of which represents committed expenditure in 2018-2019.

### **Unrestricted Reserves**

Unrestricted funds are those funds that the Trust can spend how they believe appropriate at 31 August 2018 the funds totalled £1.3m.

Trust Policy is to aim and retain around 8-12% of recurrent funding whilst at the same time ensuring resources are primarily used to meet the needs of the pupils within the Trust, current reserves represent around 5%, as outlined above the policy does recognise that there will be fluctuations on this target, work is being carried out to closely monitor the level of reserves with the aim of increasing them over time.

### **Pension Reserves**

The Local Government Pension Scheme currently being in a deficit position does not constitute an immediate liability and does not mean the equivalent amount is already committed or no longer available.

The presence of a pension deficit will generally result in a cash flow effect for the Trust in the form of an increase in employers' pension contributions over a period of years. The Trust is confident it can meet the increase in contribution levels and this has been factored into future financial plans.

The deficit at 31 August 2018 was £5.3m.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 AUGUST 2018*

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### Investment policy

The aim of this policy is to ensure that funds which The Harmony Trust Ltd does not immediately need to cover anticipated expenditure are invested in such a way as to maximise income within acceptable levels of risk.

During the year 1 September 2017 to 31 August 2018 £0.5m was invested in 3 month fixed term deposit account that matured on the 6th December 2017.

As and if funds become available for investment, proposals will be presented to the Board of Trustees for their approval.

The main purposes of the investment policy for the Trust are as follows:

- To ensure adequate cash balances are maintained in the current accounts to cover day to day working requirements
- To optimise returns on invested funds, with a minimum level of risk.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### Principal risks and uncertainties

Like all other Multi Academy Trusts, the Harmony Trust Ltd is operating through a continuing period of uncertainty regarding future funding, both locally and nationally. The Trust was expecting progress towards the government introduction of a national funding formula. Repeatedly, the national picture is said to be one of increasing budgetary pressures and reducing income. The Trust continues to work closely with the local authority in Oldham in order to ensure stability around the funding for Northmoor, which opened in September 2016. There is still some uncertainty about pupil numbers for the growing Academy. There are also funding risks around children being admitted "in-year" to all of the Trust academies, again the Trust works closely with the local authorities to monitor and manage this risk. Further savings were made this year through staffing reviews and renewal of external contracts. The Trust has grown significantly over a short period of time and is working with the new academies in Derby to embed robust financial management policies and processes into working practises whilst incorporating them into the Trusts medium to long term financial plans.

The Trustees have a fundamental role to play in the management of risk, the Board is also responsible for determining which types of risk are acceptable. Any issues which affect The Harmony Trust's risk profile or exposure are to be approved by the Board of Trustees which seeks to minimise the risk of exposure by ensuring the appropriate policies and procedures are in place. The Trustees annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

The Trust maintains a comprehensive Risk Register and changes are reported by exception to the Audit committee throughout the year. The Trust is a member of the DfE Risk Protection Arrangements.

The system of internal control is becoming embedded in The Trust and the following are in place to respond to a variety of operational, financial and commercial risk.

- **Policies and Procedures**  
Policies are set by the Trustees and implemented by the senior management team across the Harmony Trust Ltd.
- **Strategic Planning and Budgeting**  
The strategic planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Medium term financial plans along with projected pupil numbers are reviewed regularly.
- **Internal Audit Programme**  
In order to deliver assurance and comply with the Academies Financial Handbook, the Trustees appoint external auditors to carry out a process of checking financial systems, controls, transactions and risks. In the next financial year a more risk based approach will be taken to this work focussing on particular areas such as the potential for fraud.
- **Risk Management Strategy**  
The Risk Management Strategy adopted by the Trustees aims to ensure that the Trust complies with risk management best practice and that the risks classified in the Risk Register as being of high impact, likelihood and cost are addressed and appropriate action is taken.

### **Fundraising**

From time to time academies carry out fundraising activities, these usually take the form of small raffles and seasonal fayres, in addition the academies do support national fundraising initiatives such as Children in Need, Sports Relief etc.

Fundraising activities are voluntary there is no expectation to make a contribution and there is transparency as to what the funds will be used for. All proceeds are banked and coded discretely within the academy budgets, once all funds have been received a payment is made to the Charity in question, or released within the budget to be used as intended.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### Plans for future periods

The Trust prepared for the establishment of a local hub in Derby during the last two terms of 2017/18. This involved working directly with governors on the governance model and providing school improvement services to Derby schools. The Hub is now 6 academies strong in Derby with scope and capacity to grow further.

The Trust is also preparing to begin discussions with good schools about establishing a further Hub in the South Yorkshire region.

### Trust priorities and development

The Trust strategic plan includes:-

#### Our Growth strategy

- Harmony to be a medium sized Academy Trust delivering high quality primary education in multiple areas of educational and social challenge by 2020.
- For the Trust's academies to be viewed as leading practice nationally in raising the attainment of children who are disadvantaged.
- Establish/commission an effective Project Management discipline to manage the conversion of schools joining the Trust.
- Working with external partners, develop a Recruitment Strategy to create a talent pool that builds capacity within the Trust, has strong practice around recruitment, retention & reward and actively increases the number of local apprentices joining Harmony.
- To make a major investment in the professional development of our workforce.

#### Business strategy

- Develop a Business Model for the Trust that is effective and efficient, and ensures that academies have access to high quality core services from the Trust – with services offered on a core, enhanced and bespoke basis.
- Develop and provide an enhanced high quality education, business and finance services to accelerate improvement.
- Set up systems and develop capacity to generate income through trading financial and business related services outside of the Trust.
- Implement robust Business Continuity plans.
- Actively seek out opportunities to attract capital investment.
- Actively seek out opportunities for both fundraising & bidding for funds, including those focused on school improvement and school workforce professional development.

#### Finance strategy

- Maintain a 3 year budget plan / Medium Term Financial Strategy to support the Trust Development Plan and ensure resources can be allocated swiftly to need.
- Ensure that there is a financial mechanism that enables the Trust to pursue initiatives that benefit all children across the Academies.
- Ensure robust mechanisms are in place to comply with statutory policies and regulations.

#### Leadership strategy

- Ensure Trust has a Leadership and infrastructure that is high quality to maximise resources by succession planning, and effective financial management and planning.
- To develop actively the next cohort of middle and senior leaders.
- To ensure that all existing executive and senior leaders are involved in taking forward the Trust Strategic Plan.
- Develop a handbook for Trustees and an ongoing training programme which contains advice and guidance to ensure they are effective in their role.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Our Offer to schools, who join the Harmony Trust

- To work within an organisation that is focused on children and their life chances and that is both a Great Place to Learn and a Great Place to Work.
- Access to best classroom practice and systems leadership within the Trust and our partner schools in order to improve teaching and learning.
- Create the best conditions to retain good staff by providing excellent professional development within the Trust.
- Ensure a sustainable / year on year improvement in pupil outcomes and academy finances.
- Financial advice, management, budget setting and financial audit.
- HR advice, recruitment, performance management, ICT management.
- Strategic partnerships that provide opportunities for children, staff and parents.
- Access to a high quality data support function.
- Drafting of mandatory & strategic policies.

We are working to review and refine the following services to create greater efficiencies of scale:

- Facilities & property management.
- Further opportunities to rationalise procurement processes and gain economies of scale and improved value for money.
- Enhanced range of high quality and specialist educational, business, & financial services that support Academies in delivering the priorities set out in their Academy Delivery Plans.

### Employee consultation and disabled employees

#### Disabled employees

- The trust discloses its policy in respect of applications for employment from disabled persons.
- The trust follows policies and processes for treatment of disabled employees ensuring fair access to training, career development and opportunities.

#### Employee consultation

- The trust follows the agreed Change Management policy or associated process which requires detailed documentation to be shared with employees, and views, comments and suggestions to be sought, from both the employee and any union representation. Due process would then be followed aligned to all other HR policy requirements to amend accordingly and implement to agreed timelines.

# THE HARMONY TRUST LTD

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### Auditor

Insofar as the Trustees are aware:

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

A resolution proposing that UHY Hacker Young Manchester LLP be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 29 NOV 2018 and signed on its behalf by:



P Makin

Chair of Trustees

# THE HARMONY TRUST LTD

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Scope of responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that The Harmony Trust Ltd has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Harmony Trust Ltd and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 5 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustees	Meetings attended	Out of possible
A Hughes (Accounting Officer)	5	5
P Makin (Chair of Trustees)	5	5
S Bakht	5	5
S Bashir (Appointed 18 September 2017)	3	5
A Forbes (Appointed 18 September 2017)	5	5
C Thorne (Appointed 5 January 2018)	3	4
G McGuffie (Appointed 18 September 2017)	5	5
N Hole (Appointed 18 September 2017)	5	5
M Simmons	3	5

The current membership of the Board has been stable across the year and incorporates Trustees with particular experience in working in senior positions within the education sector and who are well placed to support and challenge the executive leadership.

The feedback from the successive Ofsted reports about the effectiveness and impact of governance has been very encouraging and reinforced confidence in the model of differentiated challenge and support from Trustees to individual academies and their leaders. Members have also been proactive and have kept in touch with strategic developments and visited the Academies.

The Finance, Audit and Risk committee is a sub-committee of the main Board of Trustees; its purpose is to assist the decision making of the Board of Trustees, by enabling more detailed discussion and consideration on matters concerning the Trusts financial management and utilisation of resources, risk management and audit matters.

The Board of Trustees undertakes a process of continuous review which is, then, also supported by external perspectives and views. In March 2018, the Trust Board was attended by the Deputy Director to the Regional Schools Commissioner (NW) who subsequently provided positive and constructive written feedback to the Board on its meeting. During the 2017/18 Academic year 3 of the Trust's Oldham Academies were inspected by Ofsted and, in each case, inspectors noted the level of knowledge and effectiveness of Trustees. The Trust's Governance is supported by an external adviser who, also, works with the Trust to support the review the effectiveness of Governance mechanisms and to ensure that business is dealt with in a timely fashion. The Board seeks advice through this route as needed e.g. advice on the optimum size of the Board. Trustees, also, cognisant of other advice provided and apply this appropriately e.g. advice from external Auditors on Committee Chairing arrangements.

# THE HARMONY TRUST LTD

## GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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See the Trustees report for the impact of the new model of governance for the Trust.

Finance, Audit and Risk Committee Business was also covered by the main Board during the year.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
A Hughes (Accounting Officer)	2	2
P Makin (Chair of Trustees)	2	2
S Bakht	1	2
C Thorne (Appointed 5 January 2018)	2	2
N Hole (Appointed 18 September 2017)	2	2

### Review of value for money

As accounting officer the chief executive 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 Trust's use of its resources has provided good value for money during each academic year, and reports to the board of Trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy Trust has delivered improved value for money during the year in the following ways:

- The Trust continues to undertake significant works at its academies successfully attracting funding from the ESFA's Condition Improvement Fund (CIF). The aim of this work has been to improve the general condition of the academies and to improve, in particular, their suitability for high quality provision whilst not negatively impacting on the individual academy budgets. In successive years, the Trust has been able to attract significant investment for critical building works.
- As the Trust continues to grow larger, contracts are subject to review prior to renewal and are procured at Trust rather than individual academy level making use of both national and local frameworks, this increased bargaining power drives out efficiency savings for each of the Trusts individual academies and ensures that value for money and efficient procurement in one academy is replicated in its other academies, thus, creating increased economies of scale and enhanced financial literacy amongst academy business staff. Increasingly, key strategic programmes are commissioned by the Trust at discounted rates.
- The Trust carries out an annual review of its workforce, deploying staff across its academies, this flexible approach provides experience, continued professional and career development opportunities to its workforce and enables the targeting of individuals strengths to areas of greatest need, whilst all the time focussing on improving the outcomes for pupils in all of our academies. The executive leadership has developed a workforce model that seeks to optimise the staffing resources available within a more challenging financial environment.

In each of these examples, the Trust is using its budgets wisely to improve the resources available to pupils and staff and, in turn, for this to positively impact upon outcomes. This is clearly evident in the performance tables which show clear impact and, in turn, very good value for money.



# THE HARMONY TRUST LTD

## GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **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 Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Harmony Trust Ltd for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

### **Capacity to handle risk**

The Board of Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

### **The risk and control framework**

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided:

- to appoint external auditors to carry out specific theme based reviews focussing on areas of greatest risk; and
- to monitor and review this arrangement as the Trust expands

The internal auditors, UHY Hacker Young LLP, role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- Procurement
- Cash Handling, and
- Payroll

On a termly basis, the Finance Director reports to the board of Trustees, through the audit and risk committee on the operation of the systems of control and on the discharge of the board of Trustees' financial responsibilities.

The schedule of works have been delivered as planned during the year and there are no material control issues arising as a result of the audit work carried out.

# THE HARMONY TRUST LTD

## GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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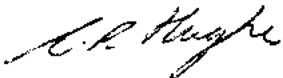
### Review of effectiveness

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

- the work of the external auditor
- the work of the leadership team within the Trust who have responsibility for the development and maintenance of the internal control framework

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

Approved by order of the board of trustees on 26 NOV 18 and signed on its behalf by:



A Hughes  
Accounting Officer



P Makin  
Chair of Trustees

# THE HARMONY TRUST LTD

## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2018

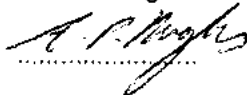
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As Accounting Officer of The Harmony Trust Ltd I have considered my responsibility to notify the board of Trustees and the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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

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

A Hughes  
Accounting Officer



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# THE HARMONY TRUST LTD

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

**FOR THE YEAR ENDED 31 AUGUST 2018**

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The trustees (who are also the directors of The Harmony Trust Ltd for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

In preparing these accounts, the trustees are required to:

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

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

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

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

Approved by order of the members of the board of trustees on 20 NOV 18 and signed on its behalf by:



P Makin

Chair of Trustees

# THE HARMONY TRUST LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HARMONY TRUST LTD

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Opinion**

We have audited the accounts of The Harmony Trust Ltd for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

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

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

# THE HARMONY TRUST LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HARMONY TRUST LTD (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated strategic report.

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

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

### **Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the accounts**

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

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

# THE HARMONY TRUST LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HARMONY TRUST LTD (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### 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.



Stephen Grayson FCCA (Senior Statutory Auditor)  
for and on behalf of UHY Hacker Young Manchester LLP

26/11/18

Chartered Accountants  
Statutory Auditor

St James Building  
79 Oxford Street  
Manchester  
M1 6HT

# THE HARMONY TRUST LTD

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE HARMONY TRUST LTD AND THE EDUCATION & SKILLS FUNDING AGENCY

**FOR THE YEAR ENDED 31 AUGUST 2018**

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In accordance with the terms of our engagement letter dated 5 October 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Harmony Trust Ltd during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Respective responsibilities of The Harmony Trust Ltd's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The Harmony Trust Ltd's funding agreement with the Secretary of State for Education dated 29 September 2015 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

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

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

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to be able to report on whether anything has come to our attention which suggests that in all material respects expenditure disbursed and income received have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them. Other than those procedures undertaken for the purposes of our audit of the financial statements of The Harmony Trust Ltd for the period ended 31 August 2018 which provide evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.



# THE HARMONY TRUST LTD

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE HARMONY TRUST LTD AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

1. The Multi Academy trust did not have a gifts register in place throughout the period, although no gifts were received during the year.



**Stephen Grayson FCCA (Senior Statutory Auditor)  
Reporting Accountant**

UHY Hacker Young Manchester LLP  
St James Building  
79 Oxford Street  
Manchester  
M1 6HT

Dated: .....

# THE HARMONY TRUST LTD

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted Funds £000's	Restricted funds: General Fixed asset £000's £000's		Total 2018 £000's	Total 2017 £000's
<b>Income and endowments from:</b>						
Donations and capital grants	3	3	-	522	525	350
Donations - Transfer from local authority on conversion	29	429	(1,643)	22,840	21,626	8,805
Charitable activities:						
- Funding for educational operations	4	443	13,820	-	14,263	10,054
- Funding for teaching school	28	-	60	-	60	-
Other trading activities	5	177	-	-	177	21
Investments	6	1	-	-	1	2
<b>Total</b>		<u>1,053</u>	<u>12,237</u>	<u>23,362</u>	<u>36,652</u>	<u>19,232</u>
<b>Expenditure on:</b>						
Raising funds	7	16	-	-	16	26
Charitable activities:						
- Educational operations	9	364	15,312	1,027	16,703	11,712
- Teaching school	28	-	60	-	60	-
<b>Total</b>	7	<u>380</u>	<u>15,372</u>	<u>1,027</u>	<u>16,779</u>	<u>11,738</u>
<b>Net income/(expenditure)</b>		673	(3,135)	22,335	19,873	7,494
Transfers between funds	18	(277)	548	(271)	-	-
<b>Other recognised gains/(losses)</b>						
Actuarial gains on defined benefit pension schemes	20	-	1,436	-	1,436	521
<b>Net movement in funds</b>		396	(1,151)	22,064	21,309	8,015
<b>Reconciliation of funds</b>						
Total funds brought forward		888	(3,522)	17,870	15,236	7,220
Total funds carried forward		<u>1,284</u>	<u>(4,673)</u>	<u>39,934</u>	<u>36,545</u>	<u>15,235</u>

# THE HARMONY TRUST LTD

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

FOR THE YEAR ENDED 31 AUGUST 2018

Comparative year information Year ended 31 August 2017	Notes	Unrestricted	Restricted funds:		Total
		Funds £000's	General £000's	Fixed asset £000's	2017 £000's
<b>Income and endowments from:</b>					
Donations and capital grants	3	-	-	350	350
Donations - Transfer from local authority on conversion		-	-	8,805	8,805
Charitable activities:					
- Funding for educational operations	4	294	9,760	-	10,054
Other trading activities	5	21	-	-	21
Investments	6	2	-	-	2
<b>Total</b>		<u>317</u>	<u>9,760</u>	<u>9,155</u>	<u>19,232</u>
<b>Expenditure on:</b>					
Raising funds	7	23	3	-	26
Charitable activities:					
- Educational operations	9	258	10,581	872	11,711
<b>Total</b>	<b>7</b>	<u>281</u>	<u>10,584</u>	<u>872</u>	<u>11,737</u>
<b>Net income/(expenditure)</b>		36	(824)	8,283	7,495
Transfers between funds	18	-	226	(226)	-
<b>Other recognised gains/(losses)</b>					
Actuarial gains on defined benefit pension schemes	20	-	521	-	521
<b>Net movement in funds</b>		36	(77)	8,057	8,016
<b>Reconciliation of funds</b>					
Total funds brought forward		852	(3,445)	9,813	7,220
Total funds carried forward		<u>888</u>	<u>(3,522)</u>	<u>17,870</u>	<u>15,236</u>

# THE HARMONY TRUST LTD

## BALANCE SHEET

AS AT 31 AUGUST 2018

	Notes	2018		2017	
		£000's	£000's	£000's	£000's
<b>Fixed assets</b>					
Tangible assets	13		39,934		17,870
<b>Current assets</b>					
Debtors	14	978		332	
Cash at bank and in hand		2,000		2,398	
		<u>2,978</u>		<u>2,730</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	15	(1,050)		(1,081)	
<b>Net current assets</b>			1,928		1,649
<b>Total assets less current liabilities</b>			41,862		19,519
Creditors: amounts falling due after more than one year	16		(64)		(21)
<b>Net assets excluding pension liability</b>			41,798		19,498
Defined benefit pension scheme liability	20		(5,253)		(4,262)
<b>Net assets</b>			<u>36,545</u>		<u>15,236</u>
<b>Funds of the academy trust:</b>					
<b>Restricted funds</b>	18				
- Fixed asset funds			39,934		17,870
- Restricted income funds			580		740
- Pension reserve			(5,253)		(4,262)
<b>Total restricted funds</b>			<u>35,261</u>		<u>14,348</u>
<b>Unrestricted income funds</b>	18		1,284		888
<b>Total funds</b>			<u>36,545</u>		<u>15,236</u>

The accounts on pages 32 to 59 were approved by the trustees and authorised for issue on 26 Nov 18 and are signed on their behalf by:



P Makin  
Chair of Trustees

Company Number 08840373

# THE HARMONY TRUST LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

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	Notes	2018 £000's	2017 £000's
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	21	(1,116)	21
Cash funds transferred on conversion		429	-
		<u>(687)</u>	<u>21</u>
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments		1	2
Capital grants from DfE Group		492	350
Purchase of tangible fixed assets		(250)	(123)
		<u>243</u>	<u>229</u>
<b>Cash flows from financing activities</b>			
Increase in other loans		46	-
		<u>46</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents in the reporting period</b>			
		<u>(398)</u>	<u>250</u>
Cash and cash equivalents at beginning of the year		2,398	2,148
Cash and cash equivalents at end of the year		<u>2,000</u>	<u>2,398</u>

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# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

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### 1 Accounting policies

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

#### 1.1 Basis of preparation

The accounts of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Harmony Trust Ltd meets the definition of a public benefit entity under FRS 102.

#### 1.2 Going concern

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

#### 1.3 Conversion to an academy trust

The conversions from state maintained schools to the academy trust involved the transfer of identifiable assets and liabilities and the operations of the schools for £nil consideration. The substance of the transfers are that of a gift and they have been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Cavendish Close Junior School, Village Primary School and Ash Croft 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 28.

#### 1.4 Income

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

##### Grants receivable

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of 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.

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

---

### 1 Accounting policies

(Continued)

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, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

#### Donated goods, facilities and services

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

#### Donated fixed assets

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

### 1.5 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

#### Expenditure on raising funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

#### Charitable activities

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

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

---

### 1 Accounting policies

(Continued)

#### 1.6 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

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. 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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the multi academy trust's depreciation policy.

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated value, over their expected useful lives on the following bases:

Long leasehold buildings*	2% - 12.5% straight line
Computer equipment	20% - 33% straight line
Fixtures, fittings & equipment	10% - 20% straight line

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

\*Long leasehold buildings are depreciated over the useful economic life of each component as stated in the professional valuation. Components include the building structure, internal fittings, internal services, roof and externals.

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

#### 1.7 Liabilities

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

#### 1.8 Provisions

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

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

#### 1.9 Leased Assets

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



# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 1 Accounting policies

(Continued)

#### 1.10 Financial instruments

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

##### Financial assets

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

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

##### Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

#### 1.11 Stock

Unsold uniforms, catering stocks and resources are valued at the lower of cost or net realisable value. Stocks are immaterial and have not been disclosed in the financial statements.

#### 1.12 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.

#### 1.13 Pensions benefits

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

The 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, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 1 Accounting policies

(Continued)

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

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

#### 1.14 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

Restricted pension funds represent the Local Government Pension Scheme deficit inherited on conversion.

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

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

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

3 Donations and capital grants	Unrestricted funds £000's	Restricted funds £000's	Total 2018 £000's	Total 2017 £000's
Capital grants	-	522	522	350
Other donations	3	-	3	-
	<u>3</u>	<u>522</u>	<u>525</u>	<u>350</u>
4 Funding for the academy trust's educational operations	Unrestricted funds £000's	Restricted funds £000's	Total 2018 £000's	Total 2017 £000's
<b>DfE / ESFA grants</b>				
General annual grant (GAG)	-	10,105	10,105	7,160
Start up grants	-	50	50	110
Other DfE group grants	-	1,895	1,895	1,431
	<u>-</u>	<u>12,050</u>	<u>12,050</u>	<u>8,701</u>
<b>Other government grants</b>				
Local authority grants	-	1,428	1,428	501
	<u>-</u>	<u>1,428</u>	<u>1,428</u>	<u>501</u>
<b>Other funding</b>				
Teaching school income	-	60	60	-
Other incoming resources	443	342	785	852
	<u>443</u>	<u>402</u>	<u>845</u>	<u>852</u>
<b>Total funding</b>	<u>443</u>	<u>13,880</u>	<u>14,323</u>	<u>10,054</u>
5 Other trading activities	Unrestricted funds £000's	Restricted funds £000's	Total 2018 £000's	Total 2017 £000's
Consultancy and training	66	-	66	9
Meals, consultancy, hire and other	111	-	111	12
	<u>177</u>	<u>-</u>	<u>177</u>	<u>21</u>

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

6 Investment income	Unrestricted funds £000's	Restricted funds £000's	Total 2018 £000's	Total 2017 £000's
Short term deposits	1	-	1	2

7 Expenditure	Staff costs £000's	Non Pay Expenditure		Total 2018 £000's	Total 2017 £000's
		Premises £000's	Other £000's		
Expenditure on raising funds					
- Direct costs	-	-	16	16	26
Academy's educational operations					
- Direct costs	8,484	925	957	10,366	7,222
- Allocated support costs	3,196	1,368	1,773	6,337	4,490
Teaching school					
- Direct costs	20	-	32	52	-
- Allocated support costs	3	4	1	8	-
	<u>11,703</u>	<u>2,297</u>	<u>2,779</u>	<u>16,779</u>	<u>11,738</u>

### Net income/(expenditure) for the year includes:

	2018 £000's	2017 £000's
Fees payable to auditor for:		
- Audit	25	15
- Other services	6	4
Operating lease rentals	35	29
Depreciation of tangible fixed assets	1,025	872
Net interest on defined benefit pension liability	135	95

### 8 Central services

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

- human resources;
- financial services;
- educational support services
- data, safeguarding and health and safety
- others as arising
- ICT support service
- site management support services

The academy trust charges for these services on the following basis:

- 5% of Funding for core services
- ICT Support Services has been centralised this year and is recharged out to the academies using Autumn census pupil numbers
- Any additional services provided are charged on a time apportioned basis throughout the year

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 8 Central services

(Continued)

The amounts charged during the year were as follows:

	2018 £000's	2017 £000's
Greenhill Academy	183	126
Alt Academy	149	89
Westwood Academy	105	59
Richmond Academy	201	125
Northmoor Academy	171	59
Cavendish Close Junior Academy	68	
Village Primary Academy	40	
Ash Croft Primary Academy	12	
	<u>929</u>	<u>458</u>

### 9 Charitable activities

	Unrestricted funds £000's	Restricted funds £000's	Total 2018 £000's	Total 2017 £000's
<b>Direct costs</b>				
Educational operations	10	10,356	10,366	7,222
Teaching school	-	52	52	-
<b>Support costs</b>				
Educational operations	354	5,983	6,337	4,490
Teaching school	-	8	8	-
	<u>364</u>	<u>16,399</u>	<u>16,763</u>	<u>11,712</u>
	Teaching school £000's	Educational operations £000's	Total 2018 £000's	Total 2017 £000's
<b>Analysis of support costs</b>				
Support staff costs	3	3,196	3,199	2,030
Depreciation	-	100	100	-
Technology costs	-	181	181	48
Premises costs	4	1,268	1,272	1,181
Other support costs	1	1,474	1,475	1,198
Governance costs	-	118	118	33
	<u>8</u>	<u>6,337</u>	<u>6,345</u>	<u>4,490</u>

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 10 Staff

#### Staff costs

Staff costs during the year were:

	2018 £000's	2017 £000's
Wages and salaries	8,347	5,581
Social security costs	744	505
Pension costs	2,045	1,252
Staff costs	11,136	7,338
Agency staff costs	547	305
Staff restructuring costs	-	11
Staff development and other staff costs	20	-
Total staff expenditure	11,703	7,654

Staff restructuring costs comprise:

Redundancy payments	-	11
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#### Staff numbers

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

	2018 Number	2017 Number
Teachers	140	78
Administration and support	259	172
Management	9	12
	408	261

#### Higher paid staff

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

	2018 Number	2017 Number
£60,001 - £70,000	4	3
£70,001 - £80,000	2	1
£80,001 - £90,000	2	-
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 10 Staff

(Continued)

#### Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £825,709 (2017: £891,387).

### 11 Trustees' remuneration and expenses

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

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

A Hughes (CEO and Accounting Officer, staff Trustee):

Remuneration £110,000 - £115,000 (2017: £105,000 - £110,000)

Employers pension contributions £20,000 - £25,000 (2017: £20,000 - £25,000)

During the period ended 31 August 2018, travel and subsistence expenses totalling £1,685 were reimbursed or paid directly to 3 trustees (2017: £nil)

### 12 Trustees and officers insurance

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

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 13 Tangible fixed assets

	Long leasehold buildings*	Computer equipment	Fixtures, fittings & equipment	Total
	£000's	£000's	£000's	£000's
<b>Cost</b>				
At 1 September 2017	19,502	182	247	19,931
Additions	23,011	65	14	23,090
At 31 August 2018	42,513	247	261	43,021
<b>Depreciation</b>				
At 1 September 2017	1,917	91	53	2,061
Charge for the year	925	55	45	1,025
At 31 August 2018	2,842	146	98	3,086
<b>Net book value</b>				
At 31 August 2018	39,670	101	163	39,934
At 31 August 2017	17,585	91	194	17,870

Included in additions for the year is the Cavendish Close Junior Academy, Village Primary Academy and Ash Croft Primary Academy properties to the value of £22,840,000. The additions are included at fair value following a professional valuation as at the date of transfer by a qualified surveyor Eddisons Taylors.

Additions are broken down as follows:

Cavendish Close Junior Academy buildings £6,020,000 and land £2,030,000.  
 Village Primary Academy buildings £11,135,000 and land £2,490,000.  
 Ash Croft Primary Academy buildings £705,000 and land £460,000.

Land is not depreciated.

14 Debtors	2018 £000's	2017 £000's
Trade debtors	43	6
Other debtors	192	26
Prepayments and accrued income	743	300
	978	332

Prepayments and accrued income includes £nil (2017: £19,693) in respect of holiday pay paid in advance of entitlement, Rates Relief £28,963 (2017: £21,936) and Pupil Premium of £347,693 (2017: £130,140).



# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

15 Creditors: amounts falling due within one year	2018 £000's	2017 £000's
Other loans	3	-
Trade creditors	37	17
Other taxation and social security	256	145
Other creditors	-	124
Accruals and deferred income	754	795
	<u>1,050</u>	<u>1,081</u>
	<u><u>1,050</u></u>	<u><u>1,081</u></u>
16 Creditors: amounts falling due after more than one year	2018 £000's	2017 £000's
Other loans	64	21
	<u>64</u>	<u>21</u>
	<u><u>64</u></u>	<u><u>21</u></u>
<b>Analysis of loans</b>		
Wholly repayable within five years	67	21
Less: included in current liabilities	(3)	-
	<u>64</u>	<u>21</u>
Amounts included above	<u>64</u>	<u>21</u>
	<u><u>64</u></u>	<u><u>21</u></u>
<b>Loan maturity</b>		
Debt due in one year or less	3	-
Due in more than one year but not more than two years	3	5
Due in more than two years but not more than five years	8	8
Due in more than five years	54	8
	<u>68</u>	<u>21</u>
	<u><u>68</u></u>	<u><u>21</u></u>

Included within other loans is a loan of £18,004 (2017: £20,576) from SALIX under the Condition Improvement Fund provided on the following terms: Interest free, repayable over eight years by 16 six monthly payments of £1,286 commencing 1 September 2017.

Also included within other loans are further loans of £15,022 (2017: £Nil) and £33,710 (2017: £Nil) from SALIX under the Condition Improvement Fund, which are provided on the following terms: Interest free, repayable over eight years by 16 six monthly payments of £938 and £2,107 commencing September 2026.

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

17 Deferred income	2018 £000's	2017 £000's
Deferred income is included within:		
Creditors due within one year	231	140
Deferred income at 1 September 2017	140	155
Released from previous years	(140)	(155)
Resources deferred in the year	231	140
<b>Deferred income at 31 August 2018</b>	<b>231</b>	<b>140</b>

Included within deferred income at the balance sheet date the trust was holding funds received in advance for Universal Infant Free School Meals £180,611 (2017: £118,028) and School Improvement funding £45,360 (2017: £nil).

### 18 Funds

	Balance at 1 September 2017 £000's	Income £000's	Expenditure £000's	Gains, losses and transfers £000's	Balance at 31 August 2018 £000's
<b>Restricted general funds</b>					
General Annual Grant (GAG)	328	10,105	(10,710)	548	271
Start up grants	49	50	(99)	-	-
Other DfE / ESFA grants	152	1,895	(1,923)	-	124
Other grants and income	-	1,428	(1,305)	-	123
Teaching school	-	60	(60)	-	-
Revenue expenditure from capital	211	342	(491)	-	62
Pension reserve	(4,262)	(1,643)	(784)	1,436	(5,253)
	<u>(3,522)</u>	<u>12,237</u>	<u>(15,372)</u>	<u>1,984</u>	<u>(4,673)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	17,566	22,840	(1,027)	52	39,431
DfE group capital grants	-	522	-	(271)	251
Capital expenditure from GAG	304	-	-	(52)	252
	<u>17,870</u>	<u>23,362</u>	<u>(1,027)</u>	<u>(271)</u>	<u>39,934</u>
<b>Total restricted funds</b>	<u>14,348</u>	<u>35,599</u>	<u>(16,399)</u>	<u>1,713</u>	<u>35,261</u>
<b>Unrestricted funds</b>					
General funds	888	1,053	(380)	(277)	1,284
<b>Total funds</b>	<u>15,236</u>	<u>36,652</u>	<u>(16,779)</u>	<u>1,436</u>	<u>36,545</u>

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

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### 18 Funds

(Continued)

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

#### **Restricted Funds**

The General Annual Grant (GAG) is used specifically for the normal running costs incurred in delivering the objects of the Trust as set out in the Company's Articles.

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

The other funds identified within restricted general funds are spent in line with the criteria attached to them

#### **Restricted fixed asset funds**

The capital grants include DFC and Condition Improvement Fund funding from the ESFA.

#### **Unrestricted funds**

Unrestricted funds are those other resources which may be used to further the objectives of the Academy and include the balance transfer of cash from the date of conversion to an academy.

The academy trust is carrying a net surplus of £1,865m on restricted general funds (excluding pension reserve) plus unrestricted funds as at 31 August 2018.

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

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

	Balance at 1 September 2016 £000's	Income £000's	Expenditure £000's	Gains, losses and transfers £000's	Balance at 31 August 2017 £000's
<b>Restricted general funds</b>					
General Annual Grant (GAG)	452	7,293	(7,293)	(124)	328
Start up grants	-	110	(61)	-	49
Other DfE / ESFA grants	94	2,278	(2,220)	-	152
Other grants and income	76	79	(155)	-	-
Revenue expenditure from capital	273	-	(412)	350	211
Pension reserve	(4,340)	-	(443)	521	(4,262)
	<u>(3,445)</u>	<u>9,760</u>	<u>(10,584)</u>	<u>747</u>	<u>(3,522)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	9,633	8,805	(872)	-	17,566
DfE group capital grants	-	350	-	(350)	-
Capital expenditure from GAG	180	-	-	124	304
	<u>9,813</u>	<u>9,155</u>	<u>(872)</u>	<u>(226)</u>	<u>17,870</u>
<b>Total restricted funds</b>	<u>6,368</u>	<u>18,915</u>	<u>(11,456)</u>	<u>521</u>	<u>14,348</u>
<b>Unrestricted funds</b>					
General funds	852	317	(281)	-	888
	<u>852</u>	<u>317</u>	<u>(281)</u>	<u>-</u>	<u>888</u>
<b>Total funds</b>	<u>7,220</u>	<u>19,232</u>	<u>(11,737)</u>	<u>521</u>	<u>15,236</u>

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

#### Total funds analysis by academy

	2018 £000's	2017 £000's
Fund balances at 31 August 2018 were allocated as follows:		
Greenhill Academy	19	71
Alt Academy	102	329
Westwood Academy	151	129
Richmond Academy	308	104
Northmoor Academy	348	63
Cavendish Close Junior Academy	-	
Village Primary Academy	9	
Ash Croft Primary Academy	20	
Central services	907	932
Total before fixed assets fund and pension reserve	<u>1,864</u>	<u>1,628</u>
Restricted fixed asset fund	39,934	17,870
Pension reserve	(5,253)	(4,262)
Total funds	<u><u>36,545</u></u>	<u><u>15,236</u></u>

#### Total cost analysis by academy

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

	Teaching and educational support staff £000's	Other support staff costs £000's	Educational supplies £000's	Other costs excluding depreciation £000's	Total £000's
Greenhill Academy	1,816	160	168	408	2,552
Alt Academy	1,146	121	83	675	2,025
Westwood Academy	704	87	58	224	1,073
Richmond Academy	1,758	167	161	444	2,530
Northmoor Academy	1,196	172	124	323	1,815
Cavendish Close Junior Academy	1,106	229	100	138	1,573
Village Primary Academy	791	293	38	214	1,336
Ash Croft Primary Academy	195	21	11	63	290
Central services	193	900	444	237	1,774
	<u>8,905</u>	<u>2,150</u>	<u>1,187</u>	<u>2,726</u>	<u>14,968</u>

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Analysis of net assets between funds

	Unrestricted	Restricted funds:		Total
	Funds	General	Fixed asset	Funds
	£000's	£000's	£000's	£000's
<b>Fund balances at 31 August 2018 are represented by:</b>				
Tangible fixed assets	-	-	39,934	39,934
Current assets	1,284	1,694	-	2,978
Creditors falling due within one year	-	(1,050)	-	(1,050)
Creditors falling due after one year	-	(64)	-	(64)
Defined benefit pension liability	-	(5,253)	-	(5,253)
<b>Total net assets</b>	<b>1,284</b>	<b>(4,673)</b>	<b>39,934</b>	<b>36,545</b>

	Unrestricted	Restricted funds:		Total
	Funds	General	Fixed asset	Funds
	£000's	£000's	£000's	£000's
<b>Fund balances at 31 August 2017 are represented by:</b>				
Tangible fixed assets	-	-	17,869	17,869
Current assets	887	1,842	-	2,730
Creditors falling due within one year	-	(1,081)	-	(1,081)
Creditors falling due after one year	-	(21)	-	(21)
Defined benefit pension liability	-	(4,262)	-	(4,262)
<b>Total net assets</b>	<b>887</b>	<b>(3,522)</b>	<b>17,869</b>	<b>15,235</b>

### 20 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, the Greater Manchester Pension Fund and Derbyshire Pension Fund. The actuary for the Greater Manchester Pension Fund and Derbyshire Pension Fund is Hymans Robertson. Both schemes are multi-employer defined benefit schemes.

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

Contributions amounting to £nil (2017: £123,224) were payable to the schemes at 31 August 2018 and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 20 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 by the Department for Education on 9 June 2014.

The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The total contributions made for the year ended 31 August 2018 to TPS was £1,115,228 (2017: £706,950) of which employer's contributions totalled £717,275 (2017: £450,938) and employees' contributions totalled £397,953 (2017: £253,012).

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years 21% Derby & 20.60% Oldham until the next scheme valuation in April 2020 for employers and 5.5-12.5% for employees.

The LGPS obligation relates to the employees of the academy trust who were employees transferred as part of the conversion from the maintained school (as described in note 29) together with 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 HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

<b>20</b>	<b>Pension and similar obligations</b>	<b>(Continued)</b>	
	<b>Total contributions made</b>	<b>2018</b>	<b>2017</b>
		<b>£000's</b>	<b>£000's</b>
	Employer's contributions	677	426
	Employees' contributions	210	147
	<b>Total contributions</b>	<b>887</b>	<b>573</b>
	<b>Principal actuarial assumptions</b>	<b>2018</b>	<b>2017</b>
		<b>%</b>	<b>%</b>
	Rate of increase in salaries	2.8-3.1	3.2
	Rate of increase for pensions in payment/inflation	2.3-2.4	2.4
	Discount rate for scheme liabilities	2.8	2.5
<p>The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:</p>			
		<b>2018</b>	<b>2017</b>
		<b>Years</b>	<b>Years</b>
	Retiring today		
	- Males	21.5-21.9	21.5
	- Females	24.1-24.4	23.7
	Retiring in 20 years		
	- Males	23.7-23.9	24.1
	- Females	26.2-26.5	26.2
<p>Scheme liabilities would have been affected by changes in assumptions as follows:</p>			
		<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	0.5% decrease in Real Discount Rate	1,954	1,334
	0.5% increase in the Pension Increase Rate (CPI)	1,493	909
	0.5% increase in the Salary Increase Rate	427	391
<p><b>The academy trust's share of the assets in the scheme</b></p>			
		<b>2018</b>	<b>2017</b>
		<b>Fair value</b>	<b>Fair value</b>
		<b>£000's</b>	<b>£000's</b>
	Equities	5,805	3,757
	Bonds	1,445	823
	Cash	600	257
	Property	722	309
	<b>Total market value of assets</b>	<b>8,572</b>	<b>5,146</b>



# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 20 Pension and similar obligations

(Continued)

The actual return on scheme assets was £391,000 (2017: £964,000).

#### Amount recognised in the Statement of Financial Activities

	2018 £000's	2017 £000's
Current service cost	1,326	774
Interest income	(164)	(83)
Interest cost	299	178
Total operating charge	<u>1,461</u>	<u>869</u>

#### Changes in the present value of defined benefit obligations

	2018 £000's
At 1 September 2017	9,408
Obligations acquired on conversion	3,821
Current service cost	1,326
Interest cost	299
Employee contributions	210
Actuarial (gain)/loss	(1,209)
Benefits paid	(30)
At 31 August 2018	<u>13,825</u>

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

	2018 £000's
At 1 September 2017	5,146
Assets acquired on conversion	2,178
Interest income	164
Actuarial gain	227
Employer contributions	677
Employee contributions	210
Benefits paid	(30)
At 31 August 2018	<u>8,572</u>

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 21 Reconciliation of net income to net cash flow from operating activities

	2018 £000's	2017 £000's
Net income for the reporting period (as per the Statement of Financial Activities)	19,873	7,494
Adjusted for:		
Net surplus on conversion to academy	(21,626)	(8,805)
Capital grants from DfE/ESFA and other capital income	(522)	(350)
Investment income receivable	(1)	(2)
Defined benefit pension costs less contributions payable	649	348
Defined benefit pension net finance cost	135	95
Depreciation of tangible fixed assets	1,025	872
(Increase)/decrease in debtors	(615)	103
(Decrease)/increase in creditors	(34)	266
<b>Net cash (used in)/provided by operating activities</b>	<u>(1,116)</u>	<u>21</u>

### 22 Major non-cash transactions

During the year tangible fixed assets of £22,840,000 (2017: £8,805,000) were donated to the Multi Academy Trust.

### 23 Commitments under operating leases

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

	2018 £000's	2017 £000's
Amounts due within one year	34	31
Amounts due in two and five years	72	62
	<u>106</u>	<u>93</u>

### 24 Capital commitments

	2018 £000's	2017 £000's
Expenditure contracted for but not provided in the accounts	76	492

This relates to the outstanding commitments on building projects and Condition Improvement Fund schemes being carried out.

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

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### 25 Related party transactions

Owing to the nature of the Trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations which the Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures. The following related party transactions took place in the year of account in addition to certain Trustees' remuneration and expenses already disclosed in note 10.

#### Expenditure related party transactions

Learn Sheffield – a company in which Mr A Hughes (a trustee) is a director.

The academy trust purchased consultancy services from Learn Sheffield totalling £14,829 (2017: £nil) during the period. There were no amounts outstanding at 31 August 2018 (2017: £nil).

The academy trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which Mr Hughes neither participated in, nor influenced.

In entering into the transaction the academy trust has complied with the requirements of the Academies Financial Handbook 2017.

The element above £2,500 has been provided 'at no more than cost' and Learn Sheffield has provided a statement of assurance confirming this.

### 26 Post balance sheet events

The Harmony Trust has sponsored Alvaston Junior Academy, Cottons Farm Primary Academy and Reigate Park Primary Academy which converted on the 1st September 2018. At the time of writing the trust is in advanced discussions for a further Derby school to join the trust.

Two of the schools joining the trust in 2018/19 have PFI contracts which are committed until 2030. Payments of £355,219 and £80,000 are due annually.

### 27 Members' liability

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

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

<b>28</b>	<b>Teaching school trading account</b>	<b>£000's</b>	<b>£000's</b>
	<b>Direct income</b>		
	Other external funding		60
	<b>Direct costs</b>		
	Direct staff costs	20	
	Technology costs	2	
	Educational supplies and services	10	
	Educational consultancy	20	
		<u>52</u>	
	<b>Other costs</b>		
	Support staff costs	3	
	Rent and rates	4	
	Other support costs	1	
		<u>8</u>	
	Total expenditure		(60)
	<b>Surplus/(deficit) from all sources</b>		<u>-</u>
	Teaching school balances at 1 September 2017		-
	<b>Teaching school balances at 31 August 2018</b>		<u>-</u>

### 29 Conversion to an academy

On 1 September 2017 the Cavendish Close Junior School, 1 May 2018 Village Primary School and 1 June 2018 Ash Croft Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Harmony Trust Ltd from the Derbyshire County Council Local Authority for £nil consideration. These academies are now known as Cavendish Close Junior Academy, Village Primary Academy and Ash Croft Primary Academy.

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.

<b>Academy</b>	<b>Location</b>	<b>Date of conversion</b>
Cavendish Close Junior Academy	Derbyshire	1 September 2017
Village Primary Academy	Derbyshire	1 May 2018
Ash Croft Primary Academy	Derbyshire	1 June 2018

# THE HARMONY TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

**29 Conversion to an academy**

(Continued)

	<b>2018</b>
	<b>£000's</b>
<b>Net assets transferred:</b>	
Leasehold land and buildings	22,840
Cash	429
LGPS pension surplus/(deficit)	(1,643)
	<u>21,626</u>

	<b>Unrestricted</b>	<b>Restricted funds:</b>		<b>Total</b>
	<b>Funds</b>	<b>General</b>	<b>Fixed asset</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Funds surplus/(deficit) transferred:</b>				
Fixed assets funds	-	-	22,840	22,840
LA budget funds	429	-	-	429
LGPS pension funds	-	(1,643)	-	(1,643)
	<u>429</u>	<u>(1,643)</u>	<u>22,840</u>	<u>21,626</u>