

Registration number: 06182612

# David Ross Education Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2014

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# **David Ross Education Trust**

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## **David Ross Education Trust**

### **Reference and Administrative Details**

<b>Trustees (Directors)</b>	D Ross Right Reverend D Allister (resigned 24 March 2014) M Bolland, Member of finance committee S Deane Professor A Dixon A Foster (appointed 4 November 2013) N Gibb (resigned 16 June 2014) J Gordon A Hancock, Member of finance committee T Hastie-Smith, Member of audit committee (term ended 4 November 2013) M Hindmarch, Member of finance committee Bishop of Brixworth J Holbrook (appointed 16 June 2014) A Medlicott-Revell (appointed 4 November 2013) D Overton Professor K Reid (appointed 23 September 2013) R Stannard, Member of audit committee (appointed 23 September 2013) M Wilde, Member of audit committee (term ended 17 November 2014) M Wilson
<b>Members</b>	The David Ross Foundation D Ross D Overton B Wood
<b>Company Secretary</b>	SK Secretary Limited
<b>Senior Management Team</b>	W Marshall, Chief Executive M Ibbertson, Director of Finance and Resources H Stevenson, Development Director
<b>Principal and Registered Office</b>	2 Hill Court Off Turnpike Close Grantham Lincolnshire NG31 7XY

## **David Ross Education Trust**

### **Reference and Administrative Details**

**Company Registration 06182612  
Number**

<b>Auditor</b>	KPMG LLP Registered Auditor 1 The Embankment Neville Street Leeds West Yorkshire LS1 4DW
<b>Bankers</b>	National Westminster Bank plc 66 Victoria Street Grimsby Lincolnshire DN31 1BP  Lloyds TSB Bank plc Old Market Place Grimsby Branch PO Box 1000 BX1 1LT
<b>Solicitors</b>	Stone King Sewell LLP 13 Queen Square Bath Somerset BA1 2HJ

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2014.

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

##### ***Constitution***

The Trust is a company limited by guarantee with no share capital (registration no. 06182612) and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. These were updated during the year to reflect the expansion of the Trust. The trustees are also directors of the charitable company for the purposes of company law. The Trust has entered into funding agreements with the Department for Education which provide the framework within which the Trust must operate. The David Ross Education Trust Endowment Fund has been established in accordance with a deed of gift and declaration of trust, agreed between the Trust, the David Ross Foundation, and the Department for Education.

Details of the trustees who served throughout the year are included in the reference and administration information on Page 1.

##### ***Members' liability***

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

##### ***Trustees' indemnities***

The Trust carries indemnity insurance for the trustees and the governors of its academies, and professional indemnity insurance for its staff.

##### ***Principal activities***

The Trust is responsible for providing education to students aged 4 to 19 years across its twenty five academies; seven secondaries (three of which are 11 to 16 and four 11 to 19), fifteen primaries, two junior schools and a special school. Provision includes direct delivery of curriculum based education to students in academies, and an established and developing programme of extra and co-curricular activities. The Trust has a growing capacity to support improvement within its own resources. The Trust is expanding with additional academies due to join the Trust in 2014/15.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### ***Method of recruitment and appointment or election of Trustees***

Members of the charitable company are nominated by the David Ross Foundation, the main sponsor of the Trust. The articles of association require the members of the charitable company to appoint at least three trustees to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Trust. The constitution of the Trust board is: up to eight sponsor trustees (appointed by the sponsor); up to six academy trustees (appointed by sponsor trustees); up to three co-opted trustees (appointed by sponsor and academy trustees), and one representative from the Church of England. In accordance with the Articles of Association, trustees may be removed by the person or persons who appointed them.

As at 31 August 2014 there were seven sponsor trustees, six academy trustees, one co-opted trustee and one representative of the Church of England.

The Secretary of State for Education may appoint trustees in exceptional circumstances to some academies in line with the conditions of the Funding Agreement. As at 31 August 2014 no appointments have been made by the Secretary of State.

Each academy in the Trust has a separate local governing body. Local governing bodies typically include sponsor appointed governors, elected staff governors, elected parent governors and community representation.

The Trust Board delegate responsibilities to the local governing bodies in accordance with the Terms of Reference. Where an academy is underperforming, the trustees reserve the right to replace the local governing body with a local advisory board and to withhold delegations as appropriate.

#### ***Policies and procedures adopted for the induction and training of Trustees***

All trustees and governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees and governors. Newly appointed trustees undertake an induction programme. This annual strategic planning day for trustees was held on 22 September 2014 to review and update the strategic plan including a review of risk, analysis of performance, review of the business context, succession planning and resource plans.

Newly appointed governors undertake a full induction training programme and all governors have access to a full training programme delivered locally to their academies throughout the year. A governors' conference was held in Grantham on 24 September 2013, and on 11 September 2014 all chairs of local governing bodies were offered a briefing and training as a group on the use of data and Ofsted, at the Trust head office.

In keeping with best practice, tools have also been developed in liaison with trustees, academy Chairs and Principals to support regular review of the effectiveness of local governing bodies and the appropriateness of the on-going skills set, as part of a newly devised Accountability Framework.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### ***Organisational structure***

The organisational structure of the Trust consists of three levels: The trustees, governors, and the leadership team. The aim of the organisational structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trust is governed by the trustee board which delegates functions as appropriate to the Local Governing Body of each academy who are appointed by the trustees as a committee.

The trustees are responsible for all areas covered under the funding agreements and all areas of statutory responsibility appertaining to the Trust which include setting general policy, developing a three year strategic plan and adopting an annual plan, agreeing the Trust budget (including those amounts delegated to academies), budget monitoring, performance monitoring and senior staff appointments including appointment of all academy Principals. Trustees also appoint all Chairs of Local Governing Bodies. During the period under review the trustees held five meetings. Additional meetings were held for the Executive Committee, the Finance Committee, the Audit Committee and the Education Committee. All trustees are provided with copies of procedures, minutes, accounts, budgets, plans and other documents they need to undertake their role.

The Trust maintains a central office which includes at Executive level the Chief Executive Officer, the Director of Finance and Resources, Director of Development, the Director of Operations, the Director of Education and the Director of Enrichment. Central services include: School Improvement, Human Resources, Finance, Asset Management, Information Technology and Management Information, Public Relations, Marketing and Communications and Governor Services. The Trust also appoints the Principal of each academy. The central office is in Grantham whilst maintaining close links to the David Ross Foundation offices in London to facilitate good communication with the sponsor.

The governors of each academy are responsible for monitoring the performance of their academy, focusing on academic standards and leadership. This includes regular scrutiny and challenge of the Principal and Senior Leadership Team. The Principal is the lead officer responsible for finance and reports to the local governing body on financial performance against delegated budget levels. Line management of the Principals is delegated to the Chief Executive Officer.

The Principal and Senior Leadership Team at each academy are responsible at an executive level for implementing the policies as agreed by the trustees and any local operating procedures as approved by the local governing bodies. As a group the Senior Managers are responsible for the authorisation of spending within agreed budgets and the appointment of staff.

#### ***Risk management***

The trustees have assessed the major risks to which the Trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of each academy, and the finances of the Trust. The trustees have implemented a number of systems to assess risks that the Trust faces, especially in the operational areas (e.g. in relation to teaching, health and safety, safeguarding, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Trust has an effective system of internal financial controls.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### ***Connected organisations, including related party relationships***

The Trust maintains the David Ross Education Trust Endowment Fund. The Fund was created to hold the endowments to be paid by the Trust's sponsor, the David Ross Foundation, in respect of Havelock Academy and of Malcolm Arnold Academy. In 2013/2014 further donations from the Foundation of £2.5 million were received. The trustees are responsible for determining the specific uses of the Endowment Fund, which will be invested in enhancing the provision of education at the Trust's academies, for example in funding classroom extensions at Humberston Academy or refurbishing the dining and gym space at Lodge Park Academy. Academies that benefit from the fund will contribute to the replenishing of the fund from their annual budget shares.

The Trust is closely linked to the David Ross Foundation, which is the principal sponsor of the Trust. The Trust benefits from the Foundations many partners including (but not exclusively) Nottingham University, Uppingham School, Kalisher Trust and certain colleges within the University of Cambridge.



## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### **Objectives and activities**

##### ***Objects and aims***

The objects of the Trust are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering broad curricula, including collaboration with other schools and the wider community to share expertise and resources.

During 2013/2014 the principal activity of the charitable company was the operation of 25 academies (31 August 2013: 15 academies) in Yorkshire, NE Lincolnshire, Lincolnshire and Northamptonshire. This also includes the operation of a boarding house as part of Skegness Grammar School.

In operation of these academies the charitable company has entered into a series of funding agreements with the Secretary of State for Education. The agreements specify, amongst other things, the basis for admitting students to the academies, the catchment areas from which the students are drawn, and that the curricula should develop the substance of the national curriculum

In operation of these academies the charitable company has entered into a series of funding agreements with the Secretary of State for Education. The agreements specify, amongst other things, the basis for admitting students to the academies, the catchment areas from which the students are drawn, and that the curricula should develop the substance of the national curriculum.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### ***Objectives, strategies and activities***

The David Ross Education Trust was established in 2007 to enable the vision of the David Ross Foundation for broadening young people's horizons to be delivered through its academies.

The Foundation's vision is as follows:

"The primary focus of the Foundation's work is to give children in the communities in which we work better life chances through access to the best education and support that we can give them.

We believe passionately that every child can do something well and that by offering young people an outstanding range of educational opportunities and experiences, they will discover something they can excel at, which in turn raises their aspirations and enthusiasm to work hard and achieve their best."

The Trust's own objects as set out in its Articles of Association are primarily to manage and develop Academies, offering a broad curriculum which 'advance for the public benefit education in the UK.

Our mission is to become the country's leading group of academies, committed to high quality academic education for all. This will be achieved by:

- Developing fully the talents and potential of each pupil;
- Providing an excellent academic education, supported by wide-ranging and exceptional sporting, cultural and artistic activities;
- Fostering scholarship, hard work and conscientious application;
- Enabling all pupils to become knowledgeable, confident, kind and courteous adults capable of playing a positive and active role in society.

To deliver this, the Trust makes a commitment to ensure that:

- Each academy is graded by Ofsted as 'outstanding' within five years of joining the Trust, maintains that status and is progressing towards being judged as 'world class' by the Trust;
- Each academy achieves the highest academic results within its locality;
- Each academy develops a strong reputation for the quality of its sporting and cultural activities and for its pastoral care;
- The Trust recruits and retains exceptional teachers and staff;
- Create within David Ross Education Trust academies an attractive and professional working environment that ensures the most effective and able staff are rewarded.

## David Ross Education Trust

### Trustees' Report for the Year Ended 31 August 2014

#### *Public benefit*

The Trustees have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance provided by the Charity Commission.

The Trust administers academies servicing some of the most deprived areas of the country. Students are admitted in accordance with the admissions policies agreed with the Department for Education (DfE), which is based on each academy's catchment area and published on each academy's website. There are in the region of 8,000 pupils within the Trust's academies.

All academies offer a range of activities and experiences for their students, some of which are funded from donations and other non-restricted income. Many of these activities now take place on a Trust-wide basis, with staff and students from each of the Trust's academies coming together.

The Trust's sports programme has strengthened significantly over each of its four strands in the last 12 months:

- clubs and coaching -our academies provide more sporting clubs, which are better attended;
- competition is stronger - more students than ever competed at the Summer Cup, which Sky Sports described as the "greatest school sports day in the country". Our primary sports tournaments grew in size and the Trust runs regular intra Trust events;
- talent spotting is now an active part of our work; the Odey Scholarship programme has supported students across sports as diverse as martial arts, gymnastics and swimming;
- inspiration and motivation - Commonwealth and Olympic Athletes were regular visitors to our academies.

Through bursary and scholarship schemes, we have also been able to nurturing sporting talent.

Alongside the sports programme the partnership enrichment programme offers a range of opportunities incorporating the arts, music and outdoor activities. This year:

- our outward bound programme has spread to Canada with the support of a private foundation;
- an additional CCF unit opened at Lodge Park Academy, Corby;
- the Beckwith Music Scholarships were awarded for the first time;
- our inaugural HE Conference was held.

In all, 90% of all primary pupils and 46% of all secondary pupils, have experienced enrichment opportunities provided by DRET.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### **Strategic report**

##### **Achievements and performance**

Primary performance significantly strengthened in 2014. Primary academies who have been with the Trust for longer than 12 months saw their Combined Level 4s for Reading, Writing and Maths improve by an average of 11 percentage points. Among the successes, The Arbours Primary Academy have seen their combined Level 4s improve by nearly 40 percentage points since 2012.

Primary academies who have been with the trust for less than this time improved by an average of nine percentage points. Thomas Hinderwell Primary Academy and the Abbey CE Academy all saw an increase of more than 20 percentage points.

Within the secondary academies, Havelock Academy's GCSE results rose to 62% (5 A\*-C inc maths and English). Charles Read Academy saw a significant improvement of 12 percentage points and Lodge Park Academy and Skegness Grammar School maintained their recent success. Skegness Grammar School has become one of the top 500 state secondary schools in the country, with over 90% of children getting 5 A\* to C including maths and English - an increasing at A\*.

At Key Stage 5, more students than ever before achieved the grades they needed to go to their first choice university and college. Onward destinations of pupils when they leave the Trust are important, and in the last year we are delighted to report that 24 of our sixth form students gained places at Russell Group Universities, with one student getting to Oxbridge. Students continue to benefit from our partnerships with Nottingham and Cambridge Universities.

The outcomes from Ofsted results are encouraging – five of the Trust's academies have improved their Ofsted rating since joining the Trust; of the five inspections carried out this year, three academies achieved a rating of good, and no academies went into special measures. Across the Trust we now have 8 good and 3 outstanding academies. Work continues with those academies that are in a category of requiring improvement.

Capital investment this year has been significant. Extensive building work has been undertaken at Lodge Park Academy and Humberston Academy to significantly improve the learning and social environments. A new sixth form block has been constructed at King Edward VI Academy. Sports facilities across the Trust have been enhanced, with the introduction of astro-turf pitches and the re-surfacing of other courts.

We have welcomed some prestigious visitors during the year including HRH Princess Beatrice, England Rugby World Cup winner Laurence Dallaglio and Double Olympic Gold Medalist Dame Kelly Holmes. The Royal portrait artist, Richard Stone, provided impressive master-classes, the Kalisher Trust's eminent lawyers provided interview advice and the Rt Honorable Nicholas Soames MP recognised a fallen student who was awarded a Victoria Cross, James Ashworth.

##### ***Going concern***

After making appropriate enquiries, the Trustee Body has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies (note 1).

## David Ross Education Trust

### Trustees' Report for the Year Ended 31 August 2014

#### *Key financial performance indicators*

	Unit	2014	2013
Income (excluding fixed assets and pension liabilities transferred on conversions)	£ 000	62,443	41,304
Expenditure	£ 000	58,216	41,010
Net income	£ 000	4,227	294

#### *Key non-financial performance indicators*

The key measures used to measure the Trust's performance are KS2, GCSE and A level performance, quality of teaching and learning, Ofsted ratings and growth in pupil numbers.

The Trust's aim is that every academy becomes outstanding within five years. Financially, the Trust intends to maintain each of its academies at least in a break-even position, and to develop a pool of financial resource that will be available to support enrichment and development activities, and to fund asset management priorities as they develop.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### **Financial review**

Most of the Trust's income is received from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2014 and the associated expenditure are shown as restricted funds (non fixed assets) in the statement of financial activities.

The Trust also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2014, total expenditure of £58,216,000 was less than recurrent grant funding from the DfE together with other incoming resources. The excess of income over expenditure for the period (including the endowments received of £2,543,000) was £18,918,000. The greatest element of this surplus relates to the premises that were gifted to the Trust, totalling £16,629,000, offset by the pension deficit introduced on conversions of £2,365,000

At 31 August 2014 the net book value of fixed assets was £68,184,000; movements in tangible fixed assets are shown in the notes to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the academy.

The Trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Trust balance sheet shows a net liability of £11,443,000; this includes a deficit of £2,365,000 inherited on new schools joining the Trust during the year.

The Trust held fund balances at 31 August 2014 of £63,345,000, comprising £68,616,000 of restricted funds, a pension reserve deficit of £11,443,000, an endowment fund of £3,238,000 and £2,934,000 of unrestricted general funds.

The David Ross Education Trust Endowment Fund received a donation in shares to the value of £2,043,000 during the year and a cash donation of £500,000. The endowment is to be used to fund major projects in the Trust's academies, and will be renewed over time from academy resources.

Detail is still awaited on future funding for the Trust from September 2015 onwards. Pupil numbers are expected to continue to grow across the Trust, with some local variations, and whilst this will generate additional grant funding, the impact of national spending pressures and a possible national funding formula from 2015 will affect individual academy and overall Trust funding.

#### ***Principal risks and uncertainties***

Each academy evaluates and monitors its own risks, and the Trust maintains its own risk register. The main risks facing the Trust are centered around meeting its vision of every academy becoming outstanding within five years. The Trust is addressing risks of standards not rising sufficiently, of capacity to support this improvement, and of recruiting sufficient high quality leaders. Financial risks include growth in pupil numbers, which is a key driver in funding from the government, and uncertainty over the distribution of funding to academies from 2014/2015 onwards.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### ***Financial and risk management objectives and policies***

The principal financial risks facing the Trust are the future levels of government grant funding. Funding is under review, with the possibility of a national funding formula and changes in distribution of grants. Funding is primarily driven by student numbers in the Trust, and a rapid fall in student numbers will affect funding levels. At the end of 2013/2014 the Trust held balances that should help it to smooth the impacts of short term funding changes, and enable it to plan for longer term changes.

#### ***Reserves policy***

The Trust's "free" reserves are its funds after excluding restricted funds and the permanent endowment fund. "Reserves" are therefore the resources the Academy has or can make available to spend for any or all of the Trust's purposes once it has met its commitments and covered its other planned expenditure. More specifically "free reserves" represent income to the Trust which is to be spent at the trustees' discretion in furtherance of any of the Trust's objects but which has not yet been spent, committed or designated.

The Trust is in a development phase – new academies are joining the Trust, student numbers are increasing in the Trust's existing academies, building refurbishments are taking place. Whilst demands on the Trust's reserves will therefore vary over the coming years, the Trust's long-term policy is that the appropriate level of reserves should be equivalent to one month's expenditure, currently estimated to be between £4,500,000 and £5,000,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The Trust's current level of reserves are £4,817,000 made up of free reserves of £2,934,000 (2013: £1,386,000) and restricted general funds of £1,883,000 (2013: £1,155,000).

#### ***Investment policy***

The trustees agree all investments made by the Trust. Investments are currently restricted to deposit accounts in UK banks, the Money Market, to a number of corporate bonds and to some equities. Trustees have agreed that of non-cash investments held by the Trust, equities would account for no more than 20% of total investments. The Trust has received significant donated shares during this and the previous financial year which has resulted in an increase in equities owned, so that the current value is in excess of 20%. Investments are made with regard to Charity Commission guidance in relation to investments.

#### ***Employment of disabled persons***

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academies. The policy of the Trust is to support recruitment and retention of students and employees with disabilities. The Trust does this by adapting the physical environment, by making resources available and through training and career development.

#### ***Description of employee consultation***

##### **Human Equalities Policy**

The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### ***Plans for future periods***

The Trust will continue to work to raise the aspirations and outcomes of its students at all ages, closing gaps between the performance of different groups, where this is needed, and ensuring they are able to proceed successfully to the next stage of their education. This may be the transition from primary to secondary education, or at the end of the secondary phase to high quality routes in further or higher education or employment with training.

We intend to continue to consolidate and stretch improvements in existing academies whilst seeking approval for modest growth of the Trust in order to build on existing regional hubs and particularly to acquire feeder primaries in geographical areas where we have secondaries to improve educational transition and progress.

The Trust's first free school opened on 1 September 2014, and two further free schools are planned to open in 2015 and 2016. One of the new free schools will be based in Corby and will provide a direct line of education for children in that area from reception year in the free school to the sixth form at Lodge Park Academy.

The next phase of the Trust's growth strategy sees consolidation across the existing network whilst growing capacity to ensure that our academies are effectively challenged and supported to ensure that quality education and enrichment opportunities are provided to all of our pupils.

To support this the Trust has, from September 2014:

- put in place a stronger senior management team, including the creation of posts of a Director of Operations, a Director of Enrichment, and a Director of Education;
- strengthened the team of education advisers;
- created Improvement Clusters to facilitate our academies in close geographical proximity to work together, led by outstanding practitioners;
- launched our Teaching School Alliance responsible for developing and delivering professional development programmes linking with our Improvement Clusters Leads. These include:
  - the newly developed Challenge To Teach programme, providing teacher training experience to our own cohort of trainees;
  - our Challenge for Leadership programme identifying;
  - our Challenge for Good, and Challenge for Outstanding programmes focusing on improving the quality teaching across the Trust.

The Trust is investing in its assets, supported through substantial donations made by the David Ross Foundation, and leveraging support for allocations from the Department for Education's Annual Capital Maintenance Fund. Significant projects are due to complete at Humberston and Lodge Park Academies in the autumn of 2014, with work commencing or due to commence over the next three years totalling £12 million. This investment will provide new and refurbished science labs in secondary academies, new classroom spaces in primary academies, and the extension of sixth form accommodation and provision to Humberston Academy, our outstanding secondary secondary school.

The Trust will seek to ensure that support services are delivered efficiently and at high quality, allowing our academy Principals to concentrate on the core mission of driving up educational standards. This will see a thorough revision of all back offices services, supported through enhanced ICT provision, with resulting structures designed to maximise efficiency and release resources for the classroom.

The Trust will seek to ensure that education is delivered effectively and with minimum overhead, and work will take place in its Lincolnshire academies to develop a genuine network of academies that share all resources under a common management framework.



## **David Ross Education Trust**

### **Trustees' Report for the Year Ended 31 August 2014**

#### **Auditor**

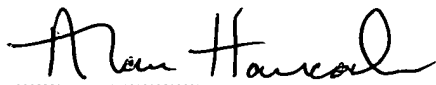
In so far as the Trustees are aware:

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

#### ***Reappointment of auditor***

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by order of the trustees on 17 December 2014 and signed on its behalf by:



A Hancock  
Trustee

## David Ross Education Trust

### Governance Statement

#### Statement on governance and internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy 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 David Ross Education Trust for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

#### Scope of responsibility

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

The Trustees have delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreements between the David Ross Education Trust and the Secretary of State for Education. They are also responsible for reporting to the 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 Trustees have formally met 5 times during the year. Attendance during the year at meetings of the Trustees was as follows:

Trustee	Meetings attended	Out of a possible
D Ross	5	5
Right Reverend D Allister	0	4
M Bolland	2	5
A Foster	2	3
S Deane	4	5
Professor A Dixon	3	5
N Gibb	4	5
J Gordon	5	5
A Hancock	5	5
T Hastie-Smith	1	2
M Hindmarch	4	5
Bishop of Brixworth J Holbrook	1	1
A Medicott-Revell	3	3
D Overton	5	5
Professor K Reid	4	5
R Stannard	4	5
M Wilde	5	5
M Wilson	2	5

## David Ross Education Trust

### Governance Statement

The Trust Board continues to critically evaluate its make up. Revised Articles of Association were agreed at the Annual General Meeting in December 2013, that enhanced and strengthened the constitution of the Trust, and new appointments were made to the Board from a diverse range of skills and interests. Trustees now include amongst their number a former head of the Audit Commission, qualified accountants, representatives of the education sector, and successful business people. The Trust's Audit Committee has been fully established, with an independent chair who is not a trustee.

A review of the effectiveness of the board will take place during the coming year.

The role of the Audit Committee is to review the risks to internal financial control at the Trust and to agree a programme of work that will address these risks, inform the governance statement and, so far as is possible, provide assurance to the external auditor. The Finance Committee's role is to ensure sound management of the Trust's finances and resources; including proper planning and application of resources, monitoring and probity.

The Finance Committee is a sub-committee of the main Trustees. Its purpose is detailed above. Attendance at meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
M Bolland	0	6
A Hancock	6	6
M Hindmarch	6	6

Mr Bolland resigned as a member of the finance committee after the year end.

The Audit Committee is a sub-committee of the main Trustees. Its purpose is detailed above. Attendance at meetings during the year was as follows:

Members of the committee	Meetings attended	Out of a possible
T Hastie-Smith	0	1
M Wilde	5	6
B Wood	6	6
R Stannard	2	3

Mr B Wood is an independent chair of the audit committee. Mr Hastie-Smith, Mr Stannard and Mr Wilde are trustees. Mr Wilde resigned from the audit committee after the year end and was replaced by Professor A Dixon.

## **David Ross Education Trust**

### **Governance Statement**

#### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 David Ross Education Trust for the year ended 31 August 2014 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Trustees have 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 Trustees are of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that have been in place for the year ending 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the 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 Trustees;
- regular reviews by the Trustees 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 Trustees have considered the need for a specific internal audit function and have appointed Duncan & Toplis, Chartered Accountants, to provide an internal audit service to the Trust. The internal audit service carries out regular audits of the Trust's academies, giving advice on financial matters and performing a range of checks on the Trust's financial systems. Internal audit reports are discussed at the Audit Committee and shared with the Trust Board, and disseminated to individual academies.

There were no material control or other issues reported by the internal auditor during the year.

#### **Review of effectiveness**

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

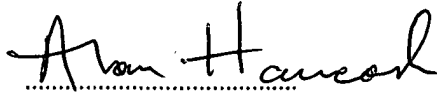
- the work of the internal auditor;
- the work of the external auditor;
- the work of the Trust's Audit Committee and the Finance Committee;
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

## David Ross Education Trust

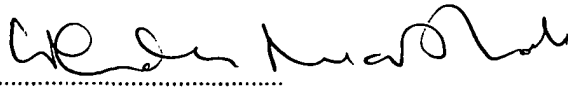
### Governance Statement

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

Approved by order of the trustees on 17 December 2014 and signed on its behalf by:



A Hancock  
Trustee



W Marshall  
Accounting officer

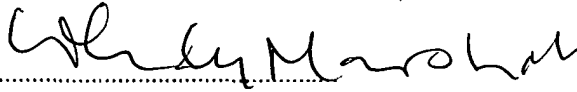
## **David Ross Education Trust**

### **Statement on Regularity, Propriety and Compliance**

As accounting officer of David Ross Education Trust I have considered my responsibility to notify the Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



W Marshall  
Accounting officer

17 December 2014

## David Ross Education Trust

### Statement of Trustees' Responsibilities

The Trustees (who are the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

Approved by order of the trustees on 17 December 2014 and signed on its behalf by:



A Hancock  
Trustee

## **Independent auditor's report to the members of David Ross Education Trust**

We have audited the financial statements of David Ross Education Trust for the year ended 31 August 2014 set out on pages 26 to 86. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2013 to 2014 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency ('EFA') on terms that have been agreed. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and, in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2013 to 2014 issued by the EFA, those matters that we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Directors and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 21, the Trustees (who act as Directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2014, 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 UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006;
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the EFA.



**Independent auditor's report to the members of David Ross Education Trust (continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

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

*Malcolm C Harding*

**Malcolm Harding (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
19 December 2014

## **Independent Reporting Accountant's Assurance Report on Regularity to David Ross Education Trust and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 29 November 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by during the period 1 September 2013 to 31 August 2014 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 David Ross Education Trust (the Academy Trust) and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Academy Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of the Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of the Academy Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2013, 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 2013 to 2014. 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 2013 to 31 August 2014 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 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the Academy Trust;
- Reviewing the evidence supporting the representations included in the Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the output from the self-assessment questionnaires completed by all staff with Budget Holder responsibility and the Head Teacher/Principals on behalf of the Governing Body;
- Testing compliance with delegated authorities for a sample of material transactions;
- Testing transactions with connected parties to determine whether the Trust has complied with the not for profit principles set out in the relevant provisions of the Academies Financial Handbook 2013;

**Independent Reporting Accountant's Assurance Report on Regularity to David Ross Education Trust  
and the Education Funding Agency (continued)**

**Approach (continued)**

- Confirming through enquiry and sample testing that the Trust has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a negative conclusion on regularity consistent with the requirements of Part 10.4 of the Academies Accounts Direction 2013 to 2014.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Malcolm C Harding*

**Malcolm Harding (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

19 December 2014

**David Ross Education Trust**

**Statement of Financial Activities for the Year Ended 31 August 2014**

	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Endowment Fund £ 000	Total 2014 £ 000	Total 2013 £ 000
<b>Incoming resources</b>							
<i>Incoming resources from generated funds:</i>							
Voluntary income							
Transfer on conversion	2	1,652	(2,365)	17,056	-	16,343	20,191
Other voluntary income	2	69	686	61	2,543	3,359	1,312
Activities for generating funds	3	1,734	668	-	-	2,402	1,523
Investment income	4	132	-	-	-	132	140
<i>Incoming resources from charitable activities:</i>							
Funding for the Academy's educational operations	5	24	52,740	1,797	-	54,561	37,023
Provision of boarding activities	32	-	337	-	-	337	406
Total incoming resources		<u>3,611</u>	<u>52,066</u>	<u>18,914</u>	<u>2,543</u>	<u>77,134</u>	<u>60,595</u>
<b>Resources expended</b>							
<i>Cost of generating funds:</i>							
Cost of generating funds		22	-	-	-	22	5
<i>Charitable activities:</i>							
Academy's educational operations		2,041	52,379	2,638	-	57,058	39,989
Provision of boarding activities	32	-	490	23	-	513	535
Governance costs	8	-	623	-	-	623	481
Total resources expended	6	<u>2,063</u>	<u>53,492</u>	<u>2,661</u>	<u>-</u>	<u>58,216</u>	<u>41,010</u>

**David Ross Education Trust**

**Statement of Financial Activities for the Year Ended 31 August 2014**

	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Endowment Fund £ 000	Total 2014 £ 000	Total 2013 £ 000
Net incoming/(outgoing) resources before transfers		1,548	(1,426)	16,253	2,543	18,918	19,585
Gross transfers between funds	19	-	(667)	2,939	(2,272)	-	-
Net income/(expenditure) for the year		1,548	(2,093)	19,192	271	18,918	19,585
<b>Other recognised gains and losses</b>							
Gains/losses on investment assets		-	-	-	428	428	33
Actuarial losses on defined benefit pension schemes	29	-	(2,969)	-	-	(2,969)	39
Net movement in funds/(deficit)		1,548	(5,062)	19,192	699	16,377	19,657
<b>Reconciliation of funds</b>							
Funds/(deficit) brought forward at 1 September 2013		1,386	(4,498)	47,541	2,539	46,968	27,311
Funds/(deficit) carried forward at 31 August 2014		2,934	(9,560)	66,733	3,238	63,345	46,968

Restricted general funds are made up as follows:

Restricted general fund	1,883
Restricted pension fund	(11,443)
Total	(9,560)

An analysis between continuing operations and acquired operations is shown in the notes to the accounts.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

The notes on pages 26 to 70 form part of these financial statements.

**David Ross Education Trust**  
**(Registration number: 06182612)**  
**Balance Sheet as at 31 August 2014**

	Note	2014 £ 000	2013 £ 000
<b>Fixed assets</b>			
Tangible assets	13	65,450	46,312
Investments	14	<u>2,734</u>	<u>1,449</u>
		<u>68,184</u>	<u>47,761</u>
<b>Current assets</b>			
Stocks	15	74	3
Debtors	16	4,515	2,540
Cash at bank and in hand		<u>8,798</u>	<u>6,940</u>
		13,387	9,483
Creditors: Amounts falling due within one year	17	<u>(6,658)</u>	<u>(4,498)</u>
Net current assets		<u>6,729</u>	<u>4,985</u>
Total assets less current liabilities		74,913	52,746
Creditors: Amounts falling due after more than one year	18	<u>(125)</u>	<u>(125)</u>
Net assets excluding pension liability		74,788	52,621
Pension scheme liability	29	<u>(11,443)</u>	<u>(5,653)</u>
Net assets including pension liability		<u>63,345</u>	<u>46,968</u>
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
Restricted general fund		1,883	1,155
Restricted fixed asset fund		66,733	47,541
Restricted pension fund		(11,443)	(5,653)
Endowment fund		<u>3,238</u>	<u>2,539</u>
		60,411	45,582
<b>Unrestricted funds</b>			
Unrestricted general fund		<u>2,934</u>	<u>1,386</u>
Total funds	19	<u>63,345</u>	<u>46,968</u>

The financial statements on pages 26 to 86 were approved by the Trustees, and authorised for issue on 17 December 2014 and signed on their behalf by:



A Hancock  
Trustee

## David Ross Education Trust

### Income and Expenditure account for the Year Ended 31 August 2014

	2014 £ 000	2013 £ 000
<b>Income</b>		
General Annual Grant	45,613	31,470
Start up grants	566	766
Capital Grants	1,858	826
Other DfE Grants	4,164	2,693
Other Government Grants	2,370	1,252
Private sponsorship and donations	3,349	1,764
Transfer on conversion	16,343	20,191
Other income	2,402	1,087
Investment income	132	140
Provision for boarding	337	406
Total income	<u>77,134</u>	<u>60,595</u>
<b>Expenditure</b>		
General Annual Grant expenditure	43,907	31,106
Other DfE grant expenditure	5,226	3,489
Other grant expenditure	2,237	1,185
Depreciation	2,581	2,333
Other expenditure	3,775	2,384
Provision for boarding expenditure	490	513
Total expenditure	<u>58,216</u>	<u>41,010</u>
<b>Excess of income over expenditure</b>	<u>18,918</u>	<u>19,585</u>

The income and expenditure account is derived from the Statement of Financial Activities which, together with the notes to the financial statements, provides full information on the movement during the year on all funds of the Trust.

# David Ross Education Trust

## Cash Flow Statement for the Year Ended 31 August 2014

	Note	2014 £ 000	2013 £ 000
Net cash inflow from operating activities	23	2,257	1,398
Cash transferred on conversion to an academy trust		1,652	967
Returns on investments and servicing of finance	24	132	140
Capital expenditure and financial investment	25	<u>(2,183)</u>	<u>(589)</u>
Increase in cash in the year	26	<u>1,858</u>	<u>1,916</u>

### Reconciliation of net cash flow to movement in net funds

Increase in cash in the year	1,858	1,916
Net funds at 1 September 2013	<u>6,940</u>	<u>5,024</u>
Net funds at 31 August 2014	<u>8,798</u>	<u>6,940</u>

All of the cash flows are derived from continuing operations during the above two periods.



## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

##### **Conversions to the Trust**

The conversion from state maintained schools to the Trust involved the transfer of identifiable assets and liabilities and the operation of the schools and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to the Trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for David Ross Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/net expenditure in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transactions are set out in the notes.

##### **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 approval of the financial statements.

##### **Incoming resources**

All incoming resources are recognised when the Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

##### **Grants receivable**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected as a balance in the restricted fixed asset fund.

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **1 Accounting policies (continued)**

##### ***Sponsorship income***

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and the amount can be reliably measured.

##### ***Donations***

Donations are recognised on a receivable basis where there is certainty of receipt 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 goods or services have been provided.

Interest receivable is accrued on a daily basis.

##### ***Donated services and gifts in kind***

The value of donated services and gifts in kind provided to the Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trust's policies. Buildings are brought onto the balance sheet on the basis of their depreciated replacement cost at the time when the risks and rewards of ownership passes to the Trust, be it in the form of freehold or long leasehold property.

The Trust holds a number of land and buildings on short term leases where rent is charged at below market rent. The financial statements show a notional rental for the buildings based on building valuations compiled by the Valuation Office Agency. In the case of Havelock Academy, construction of a new building took place in 2010/2011, and on completion of snagging in 2014/2015 the Trust will enter into a 125 year lease for the entire site. At this point all of the premises will be valued and entered into the balance sheet and depreciated over their estimated useful life.

##### ***Resources expended***

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

##### ***Cost of generating funds***

These relate to the costs of managing the investment portfolio and are recognised on an accruals basis.

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 1 Accounting policies (continued)

##### *Charitable activities*

These are costs incurred on the Trust's educational operations. In light of the Academies Accounts Direction issued by the Education Funding Agency during the year the Trustees have considered the allocation of the Trust's educational operations costs between direct costs and allocated support costs. As a result the comparative figures have been adjusted to reflect the nature of the costs incurred. There has been no effect on the Statement of Financial Activities.

##### *Governance costs*

These include the costs attributable to the Trust's compliance with constitutional and statutory requirements, including audit, strategic management and trustees' meetings and reimbursed expenses.

##### *Tangible fixed assets*

Assets costing £5,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. 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 Trust's depreciation policy.

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

Freehold and long leasehold land and buildings are valued on entering the Trust at their depreciated replacement cost and depreciated over their remaining lifespan for a maximum of 50 years or the remaining life of the lease if shorter.

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

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

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 1 Accounting policies (continued)

Asset class	Depreciation method and rate
Fixtures, fittings and equipment	3 - 10 years straight line
ICT equipment	3 years straight line
Motor vehicles	3 years straight line
Artwork	Nil

#### Investments

Investments are included at market value:

- Listed investments are stated at the bid price;
- Fixed interest securities are stated at their deal prices;
- Pooled investment vehicles are stated at bid price or single price as appropriate and as provided by the investment manager.

#### Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

#### Stock

Stock is included on a first in first out basis and is valued at the lower of cost and net realisable value.

#### Taxation

The 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 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.

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **1 Accounting policies (continued)**

##### **Pension benefits**

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). The LGPS is administered through various pension funds. These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the 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 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 quinquennial valuations using a prospective benefit method. As stated in the notes to the accounts, the TPS is a multi-employer scheme and the Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the 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 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

##### **Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the 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 funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

Endowment funds represent the David Ross Education Trust Endowment Fund and relate to donations received from the David Ross Foundation.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 2 Voluntary income

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Endowment £ 000	Total 2014 £ 000
Transfer on conversion	1,652	(2,365)	17,056	-	16,343
<b>Other voluntary income</b>					
Donations - capital	-	-	61	-	61
Other donations	69	686	-	2,543	3,298
	69	686	61	2,543	3,359
Total voluntary income	1,721	(1,679)	17,117	2,543	19,702
					<b>Total 2013 £ 000</b>
Transfer on conversion					20,191
<b>Other voluntary income</b>					
Donations - capital					50
Other donations					1,262
					1,312
Total voluntary income					21,503

### 3 Activities for generating funds

	Unrestricted funds £ 000	Restricted funds £ 000	Total 2014 £ 000	Total 2013 £ 000
Hire of facilities	224	-	224	152
Catering income	812	-	812	395
Sundry income	698	50	748	420
Gift in kind - rent receivable	-	618	618	556
	1,734	668	2,402	1,523

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 4 Investment income

	Unrestricted funds £ 000	Total 2014 £ 000	Total 2013 £ 000
Bank interest	51	51	92
Dividends	81	81	48
	<u>132</u>	<u>132</u>	<u>140</u>

**David Ross Education Trust**

**Notes to the Financial Statements for the Year Ended 31 August 2014**

**5 Funding for Academy's educational operations**

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Total 2014 £ 000	Total 2013 £ 000
<b>DfE/EFA capital grants</b>					
ICT grant	-	-	6	6	6
Capital grants	-	-	1,785	1,785	705
	-	-	1,791	1,791	711
<b>DfE/EFA revenue grants</b>					
General Annual Grant	-	45,613	-	45,613	31,470
Start up grants	-	566	-	566	766
Pupil Premium	-	2,990	-	2,990	1,480
Other DfE / EFA grants	-	1,174	-	1,174	1,134
	-	50,343	-	50,343	34,850
<b>Other government grants</b>					
Funding via local authority	1	2,369	6	2,376	1,367
Others	23	28	-	51	95
	24	2,397	6	2,427	1,462
<b>Total grants</b>	24	52,740	1,797	54,561	37,023



# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 6 Resources expended

	Staff costs £ 000	Premises £ 000	Other costs £ 000	Total 2014 £ 000	Total 2013 £ 000
Costs of activities for generating funds	-	-	22	22	5
<b>Academy's educational operations</b>					
Direct costs	31,985	-	7,908	39,893	28,953
Allocated support costs	7,959	5,385	3,822	17,166	11,036
Boarding activities - Direct costs	-	-	81	81	79
Boarding activities - Allocated support costs	329	74	28	431	456
	40,273	5,459	11,839	57,571	40,524
Governance costs including allocated support costs	-	-	623	623	481
	40,273	5,459	12,484	58,216	41,010

### Net incoming/outgoing resources for the year include:

	2014 £ 000	2013 £ 000
Operating leases	603	538
Fees payable to auditor - audit	103	81
- other non-audit services	22	-

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 7 Charitable activities - Academy's educational operations

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Total 2014 £ 000	Total 2013 £ 000
<b>Direct costs</b>					
Teaching and educational support staff costs	537	31,448	-	31,985	22,884
Educational supplies	265	2,936	-	3,201	1,710
Examination fees	3	502	-	505	555
Staff development	11	378	-	389	236
Technology costs	3	639	-	642	339
Educational consultancy	6	817	-	823	1,002
Other direct costs	12	853	22	887	685
Provision of boarding activities	-	81	-	81	79
Depreciation	-	-	1,461	1,461	1,542
	<u>837</u>	<u>37,654</u>	<u>1,483</u>	<u>39,974</u>	<u>29,032</u>
<b>Allocated support costs</b>					
Support staff costs	340	5,478	-	5,818	3,723
FRS 17 service cost adjustment	-	2,141	-	2,141	1,119
Depreciation	-	-	1,097	1,097	769
Maintenance of premises and equipment	49	968	58	1,075	709
PFI charges	-	313	-	313	261
Technology costs	140	644	-	784	414
Cleaning	1	434	-	435	301
Rent, rates and utilities	95	1,651	-	1,746	1,382
Insurance	-	645	-	645	359
Recruitment and support	51	246	-	297	168
Security and transport	122	376	-	498	335
Catering	395	1,027	-	1,422	840

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 7 Charitable activities (continued)

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	Total 2014 £ 000	Total 2013 £ 000
Bank interest and charges	6	16	-	22	13
Expected return on pension scheme assets	-	(591)	-	(591)	(279)
Interest on defined benefit pension scheme	-	798	-	798	419
Professional fees	-	100	-	100	93
Other support costs	5	560	-	565	410
Provision of boarding activities	-	409	23	432	456
	<u>1,204</u>	<u>15,215</u>	<u>1,178</u>	<u>17,597</u>	<u>11,492</u>
	<u>2,041</u>	<u>52,869</u>	<u>2,661</u>	<u>57,571</u>	<u>40,524</u>

Educational consultancy costs include the support to the Trust's existing academies to aid their school improvement programmes, and the cost of interim principals. Resources were also provided for new and prospective academies to aid them in developing their curriculum models in line with the vision of the Trust. These costs also include the project management costs of bringing new academies into the Trust; this work was fully funded by government grants.

#### 8 Governance costs

	Restricted funds £ 000	Total 2014 £ 000	Total 2013 £ 000
Legal and professional fees	474	474	373
Audit of financial statements	103	103	81
Internal audit fees	43	43	23
Trustees' reimbursed expenses	<u>3</u>	<u>3</u>	<u>4</u>
	<u>623</u>	<u>623</u>	<u>481</u>

The legal and professional fees reflect the work required in advance of admitting academies to the Trust.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 9 Staff costs

	2014 £ 000	2013 £ 000
<b>Staff costs during the year were:</b>		
Wages and salaries	31,454	21,889
Social security costs	2,246	1,650
Pension costs	4,780	3,192
Supply teacher costs	1,554	917
Compensation payments	239	432
	<u>40,273</u>	<u>28,080</u>

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £165,000. Thirteen of the non-statutory/non-contractual payments exceeded £5,000 individually, and these were for £30,000, £23,000, £20,000, £19,000, £12,000, £11,000, two amounts of £9,000, two amounts of £7,000, and three amounts of £6,000.

The average number of persons (including senior management team) employed by the Trust during the year expressed as full time equivalents was as follows:

	2014 No	2013 No
<b>Charitable Activities</b>		
Teachers and educational support	1,112	772
Administration and support	219	187
Management	28	10
	<u>1,359</u>	<u>969</u>

The number of employees whose emoluments fell within the following bands was:

	2014 No	2013 No
£60,001 - £70,000	14	8
£70,001 - £80,000	2	-
£80,001 - £90,000	4	2
£90,001 - £100,000	2	1
£100,001 - £110,000	1	-
£110,001 - £120,000	1	2
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-
£150,001 - £160,000	1	-
£170,001 - £180,000	-	1

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **9 Staff costs (continued)**

20 (2013 - 11) of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014, pension contributions for these staff amounted to £188,000 (2013 - £160,000). 7 (2013 - 4) of the above employees participated in the Local Government Pension Scheme, pension contributions amounted to £132,000 (2013 - £92,000).

#### **10 Central services**

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

- School improvement
- Educational support services
- Office of the Chief Executive
- Financial services
- Human resources
- Legal services
- Internal and external audit
- Enrichment, including sports enrichment
- Asset management
- Public relations
- Marketing and communications
- Governor services, including training
- Information technology and management information
- Others as arising

The Trust charges for these services on the following basis:

A flat percentage based on funding received from the Education Funding Agency. This percentage, which is between 2% and 6%, is dependent on the specific circumstances of each academy (such as secondary, primary or special school).

The actual amounts charged during the year were as follows:

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 10 Central services (continued)

	2014 £ 000
Abbey CE Academy	31
Ainthorpe Primary Academy	44
Briar Hill Primary School	68
Cedar Road Primary School	74
Charles Read Academy	84
Eastfield Academy	49
Edward Heneage Primary Academy	67
Endike Primary Academy	63
Eresby Special School	19
Falconer's Hill Academy	5
Greenfields Primary School	41
Havelock Academy	332
Hogsthorpe Primary Academy	13
Humberston Academy	54
King Edward VI Academy	64
Kings Heath Primary Academy	44
Lodge Park Academy	298
Malcolm Arnold Academy	163
Newnham Primary school	18
Rockingham Primary School	54
Skegness Grammar School	162
The Arbours Primary Academy	72
Thomas Hinderwell Primary Academy	41
Welton CE Primary Academy	27
Wold Academy	90
	<hr/>
	1,977

### 11 Trustees' remuneration and expenses

Trustees did not receive any payments, other than expenses, from the Trust in respect of their role as trustees.

During the year ended 31 August 2014, travel and expenses totalling £3,000 (2013 - £4,000) were reimbursed to 5 trustees (2013 - 5).

Related party transactions involving the trustees are set out in note 30.

### 12 Trustees' and officers' insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect trustees, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2014 was included in the total insurance premia which was reimbursed by the Education Funding Agency.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 13 Tangible fixed assets

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Furniture and equipment £ 000	Motor vehicles £ 000	Computer equipment £ 000	Total £ 000
<b>Cost</b>						
At 1 September 2013	18,430	27,217	1,491	61	4,423	51,622
Additions	<u>3,497</u>	<u>17,223</u>	<u>548</u>	<u>-</u>	<u>451</u>	<u>21,719</u>
At 31 August 2014	<u>21,927</u>	<u>44,440</u>	<u>2,039</u>	<u>61</u>	<u>4,874</u>	<u>73,341</u>
<b>Depreciation</b>						
At 1 September 2013	322	1,325	578	15	3,070	5,310
Charge for the year	<u>322</u>	<u>788</u>	<u>290</u>	<u>20</u>	<u>1,161</u>	<u>2,581</u>
At 31 August 2014	<u>644</u>	<u>2,113</u>	<u>868</u>	<u>35</u>	<u>4,231</u>	<u>7,891</u>
<b>Net book value</b>						
At 31 August 2014	<u>21,283</u>	<u>42,327</u>	<u>1,171</u>	<u>26</u>	<u>643</u>	<u>65,450</u>
At 31 August 2013	<u>18,108</u>	<u>25,892</u>	<u>913</u>	<u>46</u>	<u>1,353</u>	<u>46,312</u>

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 14 Investments

	Investments £ 000
<b>Cost</b>	
At 1 September 2013	1,449
Revaluation	434
Additions	1,083
Disposals	(232)
At 31 August 2014	2,734
<b>Provision</b>	
At 31 August 2014	-
<b>Net book value</b>	
At 31 August 2014	2,734
At 31 August 2013	1,449

Investments are analysed as follows for all fund holdings in excess of 5%

<b>Fixed interest bonds</b>	<b>2014</b>	<b>2013</b>
Phoenix Life 7.25% Perp	4%	6%
<b>Equity and unit trusts</b>		
<b>UK investment and unit trusts - fixed income</b>		
ishares IBOXX GBP Corporate Bond Fund	3%	6%
<b>Cash funds</b>		
M&G Global Convertibles	3%	6%
<b>International investments and unit trusts</b>		
M&G Global Convertibles STG	-	6%
<b>UK high income</b>		
Schroders Unit Trusts Income Maximiser Account	4%	7%
FIL Moneybuilder Income Account	3%	6%
Carphone Warehouse Group plc ord 0.001	35%	13%
Talk Talk Telecom Group plc ord 0.001	36%	22%



# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 14 Investments (continued)

The Academy owns 100% of the ordinary shares of David Ross Education Services Ltd, a company incorporated in England and Wales. The principal activity of the company is dormant. Turnover for the year ended 31 August 2014 was £Nil, expenditure was £Nil and the profit/(loss) for the year was £Nil. The assets of the company at 31 August 2014 were £1, liabilities were £Nil and capital and reserves were £1.

### 15 Stock

	2014 £ 000	2013 £ 000
Sundry stock	<u>74</u>	<u>3</u>

### 16 Debtors

	2014 £ 000	2013 £ 000
Trade debtors	162	89
Prepayments and accrued income	799	743
VAT recoverable	780	420
Other debtors	<u>2,774</u>	<u>1,288</u>
	<u>4,515</u>	<u>2,540</u>

### 17 Creditors: amounts falling due within one year

	2013 £ 000	2012 £ 000
Trade creditors	3,261	1,687
Other taxation and social security	733	545
Other creditors	879	771
Pension scheme creditor	619	270
Accruals	1,070	1,118
EFA creditor: abatement of GAG	<u>96</u>	<u>107</u>
	<u>6,658</u>	<u>4,498</u>

### 18 Creditors: amounts falling due after one year

	2014 £ 000	2013 £ 000
Other creditors	<u>125</u>	<u>125</u>

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 19 Funds

	Balance at 1 September 2013 £ 000	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2014 £ 000
<b>Restricted general funds</b>					
General Annual Grant	221	45,613	(43,916)	(571)	1,347
Start up grants	324	566	(871)	(19)	-
Pupil Premium	63	2,990	(3,019)	-	34
Special grants	269	1,277	(1,242)	(32)	272
Local Authority funding	67	2,191	(2,238)	-	20
Donations in lieu of rent	-	618	(618)	-	-
Voluntary income	162	839	(641)	(45)	315
Provision of boarding facilities	49	337	(491)	-	(105)
	<u>1,155</u>	<u>54,431</u>	<u>(53,036)</u>	<u>(667)</u>	<u>1,883</u>
<b>Restricted fixed asset funds</b>					
DfE capital grants	2,370	1,797	(520)	-	3,647
Capital expenditure from grant income	1,076	-	(735)	2,939	3,280
Private sector capital donations	250	61	(53)	-	258
Donation of transferred assets from local authority	43,845	17,056	(1,353)	-	59,548
	<u>47,541</u>	<u>18,914</u>	<u>(2,661)</u>	<u>2,939</u>	<u>66,733</u>
<b>Restricted pension funds</b>					
Pension reserve	(5,653)	(2,365)	(456)	(2,969)	(11,443)
<b>Other restricted funds</b>					
Endowment fund	<u>2,539</u>	<u>2,543</u>	<u>-</u>	<u>(1,844)</u>	<u>3,238</u>
Total restricted funds	45,582	73,523	(56,153)	(2,541)	60,411
<b>Unrestricted funds</b>					
Unrestricted general funds	<u>1,386</u>	<u>3,611</u>	<u>(2,063)</u>	<u>-</u>	<u>2,934</u>
Total funds	<u>46,968</u>	<u>77,134</u>	<u>(58,216)</u>	<u>(2,541)</u>	<u>63,345</u>

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **19 Funds (continued)**

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

- (i) General Annual Grant must be used for the normal running costs of the academies.
- (ii) Pupil Premium is allocated to academies on the basis of deprivation and is intended to support education for children from disadvantaged backgrounds.
- (iii) Special grants are awarded by the DfE to boost performance within specific academies. During the year the Trust received grants to support individual schools, including those due to join the Trust in future financial years. In line with other academy Trusts David Ross Education Trust received a grant for each school that formally expressed an interest in joining the Trust during the year. The Trust also received a capital maintenance grant which should be used to maintain or improve the academy buildings.
- (iv) LA funding relates to funding supplied for pupils with statements of special educational needs and pupils in nurseries around the Trust.
- (v) Restricted fixed assets were funded by grants or private sector funding.
- (vi) Voluntary income is deemed to be restricted where the funder places conditions on how the income can be spent. During the year the Trust received donations from the David Ross Foundation to fund enhanced support and development in the academies and towards the Trust's enrichment programme.
- (vii) The restricted expendable endowment fund is the David Ross Education Trust Endowment Fund. The transfer to capital relates to a capital projects undertaken during the year. The interest on the endowment is used to counter the educational impact of disadvantage and deprivation, and for educational work within the local communities. This income should not be used to meet the normal running costs of the academies.
- (viii) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted non-fixed asset fund. Staff costs are paid from this fund and the pension liability has therefore been aligned with these costs.
- (ix) Transfers from restricted funds to restricted fixed asset funds relate to capital expenditure from revenue income, as allowed by the conditions of the grants.

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 2014.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 19 Funds (continued)

#### Analysis of academies by fund balance

Fund balances at 31 August 2014 were allocated as follows:

	<b>Total £ 000</b>
Abbey CE Academy	90
Ainthorpe Primary Academy	108
Briar Hill Primary School	6
Cedar Road Primary School	120
Charles Read Academy	748
Eastfield Academy	5
Edward Heneage Primary Academy	293
Endike Primary Academy	111
Eresby Special School	423
Falconer's Hill Academy	83
Greenfields Primary School	92
Havelock Academy	582
Hogsthorpe Primary Academy	82
Humberston Academy	701
King Edward VI Academy	(3)
Kings Heath Primary Academy	275
Lodge Park Academy	412
Malcolm Arnold Academy	469
Newnham Primary school	85
Rockingham Primary School	(77)
Skegness Grammar School	(598)
The Arbours Primary Academy	302
Thomas Hinderwell Primary Academy	87
Welton CE Primary Academy	115
Wold Academy	204
Endowment	3,238
Central services	102
	<hr/>
Total before fixed assets and pension reserve	8,055
Restricted fixed asset fund	66,733
Pension reserve	(11,443)
	<hr/>
Total	<u>63,345</u>

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **19 Funds (continued)**

Skegness Grammar School is carrying a net deficit of £598000 on these funds because:

Prior to joining the Trust the school employed staff in excess of its requirements, given the number of pupils. A staff restructuring took place during the year ended 31 August 2013. The financial results for the year ended 31 August 2014 showed the school ended with an in-year surplus. This was offset by a deficit on the boarding house as a result of low numbers. The Trustees are confident that the deficit position can be reversed as the boarding house is full for the current academic year.

Rockingham Primary School is carrying a net deficit of £77000 on these funds because:

Prior to joining the Trust the school employed staff in excess of its requirements, given the number of pupils. A staff restructuring took place during the year ended 31 August 2014. The Academy considers they are now in a position where staffing numbers correlate with the number of pupils at the academy. The Trustees are confident that the Academy will continue to provide a full and high quality curriculum.

#### **Analysis of academies by cost**

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

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 19 Funds (continued)

	Teaching and Educational Support Staff Costs £ 000	Other Support Staff Costs £ 000	Educational Supplies £ 000	Other Costs (excluding Depreciation) £ 000	Total £ 000
Abbey CE Academy	426	61	77	81	645
Ainthorpe Primary Academy	610	98	93	143	944
Briar Hill Primary School	962	120	194	204	1,480
Cedar Road Primary School	1,067	64	215	196	1,542
Charles Read Academy	1,191	168	138	171	1,668
Eastfield Academy	738	46	174	156	1,114
Edward Heneage Primary Academy	946	141	151	122	1,360
Endike Primary Academy	964	71	108	314	1,457
Eresby Special School	708	91	23	101	923
Falconer's Hill Academy	203	27	16	25	271
Greenfields Primary School	591	104	80	107	882
Havelock Academy	4,272	595	767	1,159	6,793
Hogsthorpe Primary Academy	211	26	34	50	321
Humberston Academy	2,524	544	257	476	3,801
King Edward VI Academy	1,864	297	417	280	2,858
Kings Heath Primary Academy	665	49	63	108	885
Lodge Park Academy	3,754	821	771	405	5,751
Malcolm Arnold Academy	4,199	648	1,090	978	6,915
Newnham Primary school	265	37	25	41	368
Rockingham Primary School	970	133	164	84	1,351
Skegness Grammar School	2,189	808	451	449	3,897
The Arbours Primary Academy	922	102	183	212	1,419
Thomas Hinderwell Primary Academy	668	52	88	134	942
Welton CE Primary Academy	388	56	39	108	591
Wold Academy	1,342	142	140	166	1,790
Central services	349	1,734	1,132	1,996	5,211
Trust	32,988	7,035	6,890	8,266	55,179

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 19 Funds (continued)

The above represents the expenditure incurred before the adjustments required under Financial Reporting Standard 17 (FRS17) Retirements Benefits in respect of the local government pension scheme.

#### 20 Analysis of net assets between funds

	Unrestricted funds £ 000	Restricted general funds £ 000	Restricted fixed asset funds £ 000	Endowment fund £ 000	Total funds £ 000
Tangible fixed assets	-	-	65,450	-	65,450
Investments	-	-	-	2,734	2,734
Current assets	2,934	8,163	1,283	1,007	13,387
Current liabilities	-	(6,155)	-	(503)	(6,658)
Creditors over 1 year	-	(125)	-	-	(125)
Pension scheme liability	-	(11,443)	-	-	(11,443)
Total net assets	<u>2,934</u>	<u>(9,560)</u>	<u>66,733</u>	<u>3,238</u>	<u>63,345</u>

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 21 Capital commitments

	2014 £ 000	2013 £ 000
Contracted for, but not provided in the financial statements	<u>2,137</u>	<u>3,433</u>

### 22 Financial commitments

#### *Operating leases*

At 31 August 2014 the Academy had annual commitments under non-cancellable operating leases as follows:

#### **Operating leases which expire:**

	2014 £ 000	2013 £ 000
<b>Land and buildings</b>		
Within one year	-	6
Over five years	<u>441</u>	<u>331</u>
	<u>441</u>	<u>337</u>
<b>Other</b>		
Within one year	21	53
Within two to five years	187	136
Over five years	<u>1</u>	<u>5</u>
	<u>209</u>	<u>194</u>



# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 23 Reconciliation of net income to net cash inflow/(outflow) from operating activities

	2014 £ 000	2013 £ 000
Net income	18,918	19,585
Depreciation	2,581	2,333
Donations in kind on academy conversion	(17,056)	(23,084)
Donated capital and capital grants	(1,797)	(876)
Endowment fund receipts	(2,543)	(637)
Interest receivable	(132)	(140)
FRS 17 expected return on scheme assets	(591)	(279)
FRS 17 interest on defined benefit pension scheme	798	419
FRS17 service cost adjustment net of contributions payable	249	140
Increase in stocks	(71)	(3)
Increase in debtors	(968)	(1,336)
Increase in creditors	2,156	2,480
FRS17 pension liability transferred on conversion	2,365	3,793
Cash transferred on conversion to an academy trust	(1,652)	(997)
Net cash inflow from operating activities	<u>2,257</u>	<u>1,398</u>

### 24 Returns on investments and servicing of finance

	2014 £ 000	2013 £ 000
Interest received	<u>132</u>	<u>140</u>
Net cash inflow from returns on investments and servicing of finance	<u>132</u>	<u>140</u>

### 25 Capital expenditure and financial investment

	2014 £ 000	2013 £ 000
Purchase of tangible fixed assets	(4,663)	(1,553)
Purchase of investments	(49)	(50)
Sale of investments	232	88
Capital grants from DfE	1,791	711
Capital grants from others	6	115
Endowment fund income	<u>500</u>	<u>100</u>
Net cash outflow from capital expenditure and financial investment	<u>(2,183)</u>	<u>(589)</u>

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 26 Analysis of changes in net funds

	At 1 September 2013 £ 000	Cash flows £ 000	At 31 August 2014 £ 000
Cash at bank and in hand	<u>6,940</u>	<u>1,858</u>	<u>8,798</u>

#### 27 Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Trust is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Trust serving notice, the Trust shall repay to the Secretary of State sums determined by reference to:

- (a) the value at that time of the Trust's site and premises and other assets held for the purpose of the Trust: and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

Upon termination of the Funding Agreement the Trust's pension liability is expected to transfer to any successor organisation.

#### 28 Members' liability

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

#### 29 Pension and similar obligations

The Academy'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. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £619,000 (2013 - £270,000) were payable to the schemes at 31 August 2014 and are included within creditors.

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **29 Pension and similar obligations (continued)**

##### **Teachers' Pension Scheme**

###### **Introduction**

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

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

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

###### **Valuation of the Teachers' Pension Scheme**

The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

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

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **29 Pension and similar obligations (continued)**

##### **Teachers' Pension Scheme Changes**

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

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

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

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy 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 contribution made for the year ended 31 August 2014 was £2,400,000 (2013 - £1,276,000 ), of which employer's contributions totalled £1,892,000 (2013 - £979,000) and employees' contributions totalled £508,000 (2013 - £297,000). The agreed contribution rates for future years for employers vary across academies and vary according to gross salaries for employees.

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **29 Pension and similar obligations (continued)**

As described in the notes the LGPS obligation relates to the employees of the Trust, who were the employees transferred as part of the conversion from the maintained schools and new employees who were eligible to, and did, join the scheme. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Trust at the balance sheet date.

Trust employees are members of one of four schemes: those at academies within North East Lincolnshire are members of the East Riding Pension Fund, those in Northamptonshire are members of the Northamptonshire Pension Fund, those in Lincolnshire are members of the Lincolnshire Pension Fund and those in Scarborough are members of the North Yorkshire Pension Fund. Each scheme is reported on separately below.

As detailed in the notes below, all four schemes were in deficit at the end of the financial period. In order to repay this deficit all employer contribution rates incorporate additional contributions in respect of a past service adjustment. This rate varies per academy; the repayment period varies per scheme, falling between 10 and 20 years.

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### East Riding Pension Fund

[Ainthorpe Primary School, Endike Academy, Edward Heneage Primary Academy, Havelock Academy, Humberston Academy, Wold Academy]

#### Principal actuarial assumptions

	At 31 August 2014 %	At 31 August 2013 %
Rate of increase in salaries	3.90	5.10
Rate of increase for pensions in payment/inflation	2.60	2.80
Discount rate for scheme liabilities	3.70	4.60
Inflation assumptions (CPI)	2.80	2.90
RPI increases	3.60	3.70
Commutation of pensions to lump sums	<u>65.00</u>	<u>65.00</u>

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

	At 31 August 2014	At 31 August 2013
<b>Retiring today</b>		
Males retiring today	21.90	22.90
Females retiring today	24.10	25.70
<b>Retiring in 20 years</b>		
Males retiring in 20 years	24.20	24.90
Females retiring in 20 years	<u>26.70</u>	<u>27.70</u>

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 29 Pension and similar obligations (continued)

The Trust's share of the assets and liabilities in the scheme were:

	At 31 August 2014 £ 000	At 31 August 2013 £ 000
Equities	4,724	2,474
Bonds	613	321
Property	429	193
Cash	<u>368</u>	<u>224</u>
Total market value of assets	6,134	3,212
Present value of scheme liabilities - funded	<u>(10,095)</u>	<u>(4,627)</u>
Deficit in the scheme	<u><u>(3,961)</u></u>	<u><u>(1,415)</u></u>

The expected rates of return were:

	At 31 August 2014 %	At 31 August 2013 %
Equities	6.40	6.70
Bonds	3.20	3.80
Property	4.50	4.70
Cash	<u>3.30</u>	<u>3.60</u>

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets was £447,000.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### Amounts recognised in the statement of financial activities

	2014 £ 000	2013 £ 000
Current service cost	860	443
Inherited on conversion	1,141	269
Total operating charge	<u>2,001</u>	<u>712</u>

#### Analysis of pension finance (income)/costs

	2014 £ 000	2013 £ 000
Expected return on pension scheme assets	(250)	(127)
Interest on pension liabilities	296	165
Pension finance costs	<u>46</u>	<u>38</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £1,549,000 loss (2013 - £ 228,000 loss).

In assessing liabilities for retirement benefits in the previous period the actuary made certain assumptions. For this period's accounts the actuary has used different assumptions, the application of which has resulted in a loss of £778,000, recognised for the period in the STRGL.



# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### Movements in the present value of defined benefit obligation

	2014 £ 000	2013 £ 000
At 1 September	4,627	3,453
Inherited on conversion	1,729	333
Current service cost	860	443
Interest cost	296	165
Employee contributions	226	120
Actuarial losses	2,425	155
Benefits paid	(68)	(42)
At 31 August	<u>10,095</u>	<u>4,627</u>

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

	2014 £ 000	2013 £ 000
At 1 September	3,212	2,299
Inherited on conversion	588	64
Expected return on assets	250	127
Actuarial gains	1,104	245
Employer contributions	822	399
Employee contributions	226	120
Benefits paid	(68)	(42)
At 31 August	<u>6,134</u>	<u>3,212</u>

The estimated value of employer contributions for next period is £950,000.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### History of experience adjustments

Amounts for the current and previous 4 periods are as follows:

	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Present value of scheme liabilities	(10,095)	(4,627)	(3,453)	(2,516)	(1,574)
Fair value of scheme assets	6,134	3,212	2,299	1,745	1,093
Deficit in the scheme	(3,961)	(1,415)	(1,154)	(771)	(481)
	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Experience adjustments arising on scheme assets	1,104	243	37	170	78
Experience adjustments arising on scheme liabilities	(1,647)	-	-	-	1

#### Northamptonshire Pension Fund

[Abbey CE Academy, Briar Hill Primary School, Cedar Road Primary School, Eastfield Academy, Greenfields Primary Academy, Kings Heath Primary Academy, Lodge Park Academy, Malcolm Arnold Academy, Newnham Primary School, Rockingham Primary School, The Arbours Primary Academy, Welton CE Primary Academy]

#### Principal actuarial assumptions

	At 31 August 2014 %	At 31 August 2013 %
Rate of increase in salaries	4.5	5.1
Rate of increase for pensions in payment/inflation	2.7	2.8
Discount rate for scheme liabilities	3.7	4.6
Inflation assumptions (CPI)	2.9	2.9
RPI increases	3.7	3.7
Commutation of pensions to lump sums	75.0	75.0

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

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

	At 31 August 2014	At 31 August 2013
<b>Retiring today</b>		
Males retiring today	22.3	21.4
Females retiring today	24.3	23.3
<b>Retiring in 20 years</b>		
Males retiring in 20 years	24.0	23.4
Females retiring in 20 years	26.6	25.5

The Trust's share of the assets and liabilities in the scheme were:

	At 31 August 2014	At 31 August 2013
	£000	£000
Equities	3,467	2,150
Bonds	928	530
Property	342	147
Cash	146	118
Total market value of assets	4,883	2,945
Present value of scheme liabilities - funded	(9,625)	(5,367)
Deficit in the scheme	(4,742)	(2,422)

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

The expected rates of return were:

	At 31 August 2014	At 31 August 2013
	%	%
Equities	6.4	6.7
Bonds	2.9	3.5
Property	4.5	4.7
Cash	3.3	3.6

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £441,000.

### Amounts recognised in the statement of financial activities

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Current service cost	825	399
Losses/(gains) on curtailments and settlements	18	-
Inherited on conversion	874	1,811
Total operating charge	1,717	2,210

### Analysis of pension finance (income)/costs

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Expected return on pension scheme assets	(215)	(99)
Interest on pension liabilities	306	150
Pension finance costs	91	51

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £1,365,000 loss (2013 - £116,000 loss).

In assessing liabilities for retirement benefits in the previous period the actuary made certain assumptions. For this period's accounts the actuary has used different assumptions, the application of which has resulted in a loss of £1,733,000, recognised for the period in the STRGL.

**Notes to the Financial Statements for the Year Ended 31 August 2014**

**29 Pension and similar obligations (continued)**

**Movements in the present value of defined benefit obligation**

	<b>At 31 August 2014</b>	<b>At 31 August 2013</b>
	<b>£ 000</b>	<b>£ 000</b>
At 1 September	5,367	1,836
Inherited on conversion	1,315	2,650
Current service cost	825	399
Interest cost	306	150
Employee contributions	180	107
Estimated benefits paid	(36)	-
Losses/(gains) on curtailment	18	-
Actuarial losses	1,650	225
At 31 August	<u>9,625</u>	<u>5,367</u>

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

	<b>At 31 August 2014</b>	<b>At 31 August 2013</b>
	<b>£ 000</b>	<b>£ 000</b>
At 1 September	2,945	1,371
Inherited on conversion	441	839
Expected return on assets	215	99
Actuarial gains	401	167
Estimated benefits paid	(36)	-
Employer contributions	737	362
Employee contributions	180	107
At 31 August	<u>4,883</u>	<u>2,945</u>

The estimated value of employer contributions for next period is £883,000.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### History of experience adjustments

Amounts for the current and previous 3 periods are as follows;

	2014	2013	2012	2011
	£ 000	£ 000	£ 000	£ 000
Present value of scheme liabilities	(9,625)	(5,367)	(1,836)	(1,175)
Fair value of scheme assets	4,883	2,945	1,371	1,039
	<u>(4,742)</u>	<u>(2,422)</u>	<u>(465)</u>	<u>(136)</u>
Experience adjustments arising on scheme assets	401	167	35	(38)
Experience adjustments arising on scheme liabilities	83	148	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### Lincolnshire Pension Fund

[Charles Read Academy, Eresby Special School, Hogsthorpe Primary Academy, King Edward VI Academy, Skegness Grammar School]

#### Principal actuarial assumptions

	At 31 August 2014	At 31 August 2013
	%	%
Rate of increase in salaries	3.9	5.10
Rate of increase for pensions in payment/inflation	2.6	2.8
Discount rate for scheme liabilities	3.7	4.6
Inflation assumptions (CPI)	2.8	2.9
RPI increases	3.6	3.7
Commutation of pensions to lump sums	63.0	63.0

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

	At 31 August 2014	At 31 August 2013
<b>Retiring today</b>		
Males retiring today	22.2	21.2
Females retiring today	24.4	23.4
<b>Retiring in 20 years</b>		
Males retiring in 20 years	24.5	23.7
Females retiring in 20 years	26.8	25.7

The Trust's share of the assets and liabilities in the scheme were:

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Equities	1,972	1,157
Bonds	337	180
Property	285	165
Cash	-	-
Total market value of assets	2,594	1,502
Present value of scheme liabilities - funded	(5,116)	(3,318)
Deficit in the scheme	(2,522)	(1,816)

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

The expected rates of return were:

	At 31 August 2014	At 31 August 2013
	%	%
Equities	6.3	6.6
Bonds	3.6	4.3
Property	4.5	4.7
Cash	3.3	3.6

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £248,000.

### Amounts recognised in the statement of financial activities

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Current service cost	415	277
Inherited on conversion	166	1,713
Total operating charge	581	1,990

### Analysis of pension finance (income)/costs

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Expected return on pension scheme assets	(126)	(53)
Interest on pension liabilities	188	104
Pension finance costs	62	51

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a loss of £367,000 (2013: £7,000 gain).

In assessing liabilities for retirement benefits in the previous period the actuary made certain assumptions. For this period's accounts the actuary has used different assumptions, the application of which has resulted in a loss of £514,000, recognised for the period in the STRGL.



# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### Movements in the present value of defined benefit obligation

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
At 1 September	3,318	
Inherited on conversion	546	2,788
Current service cost	415	277
Interest cost	188	104
Estimated benefits paid	(33)	-
Employee contributions	95	70
Actuarial losses	587	79
At 31 August	<u>5,116</u>	<u>3,318</u>

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

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
At 1 September	1,502	-
Inherited on conversion	380	1,075
Expected return on assets	126	53
Actuarial gains	213	86
Estimated benefits paid	(33)	-
Employer contributions	311	218
Employee contributions	95	70
At 31 August	<u>2,594</u>	<u>1,502</u>

The estimated value of employer contributions for next period is £327,000.

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 29 Pension and similar obligations (continued)

##### History of experience adjustments

Amounts for the current and previous period are as follows;

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Present value of scheme liabilities	(5,116)	(3,318)
Fair value of scheme assets	2,594	1,502
Deficit in the scheme	<u>(2,522)</u>	<u>(1,816)</u>
	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Experience adjustments arising on scheme assets	213	86
Experience adjustments arising on scheme liabilities	<u>(73)</u>	<u>-</u>

##### North Yorkshire Pension Fund

[Thomas Hinderwell Primary Academy]

##### Principal actuarial assumptions

	At 31 August 2014	At 31 August 2013
	%	%
Rate of increases in salaries	3.9	-
Rate of increase for pensions in payment/inflation	2.4	-
Discount rate for scheme liabilities	4.6	-
Inflation assumptions (CPI)	2.4	-
RPI increases	3.2	-
Commutation of pensions to lump sums	<u>-</u>	<u>-</u>

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

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

	At 31 August 2014	At 31 August 2013
<b>Retiring today</b>		
Males retiring today	23.0	-
Females retiring today	23.0	-
<b>Retiring in 20 years</b>		
Males retiring in 20 years	25.3	-
Females retiring in 20 years	25.3	-

The Trust's share of the assets and liabilities in the scheme were:

	At 31 August 2014 £000	At 31 August 2013 £000
Equities	18	-
Government bonds	3	-
Other bonds	4	-
Property	2	-
Cash	3	-
Total market value of assets	30	-
Present value of scheme liabilities - funded	(248)	-
Surplus/(deficit) in the scheme	(218)	-

## Notes to the Financial Statements for the Year Ended 31 August 2014

**29 Pension and similar obligations (continued)**

The expected rates of return were:

	At 31 August 2014	At 31 August 2013
	%	%
Equities	7.0	-
Government bonds	2.9	-
Other bonds	3.8	-
Property	6.2	-
Cash	0.5	-

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect the default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets was £1,000.

**Amounts recognised in the statement of financial activities**

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Current service cost	23	-
Inherited on conversion	184	-
Total operating charge	207	-

**Analysis of pension finance (income)/costs**

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Expected return on pension scheme assets	-	-
Interest on pension liabilities	8	-
Pension finance costs	8	-

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a loss of £25,000.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### Movements in the present value of defined benefit obligation

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
At 1 September	-	-
Inherited on conversion	184	-
Current service costs	23	-
Interest cost	8	-
Employee contributions	7	-
Actuarial losses	26	-
At 31 August	248	-

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

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
At 1 September	-	-
Inherited on conversion	-	-
Expected return on assets	-	-
Actuarial gains	1	-
Employer contributions	22	-
Employee contributions	7	-
At 31 August	30	-

The estimated value of employer contributions for next period is £27,000.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### 29 Pension and similar obligations (continued)

#### History of experience adjustments

Amounts for the current and previous period are as follows;

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Present value of scheme liabilities	(248)	-
Fair value of scheme assets	30	-
	(218)	-
Experience adjustments arising on scheme assets	1	-
Experience adjustments arising on scheme liabilities	-	-

#### Total of all schemes

The Trust's share of the assets and liabilities in the scheme were:

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Equities	10,181	5,781
Bonds	1,885	1,031
Property	1,058	505
Cash	517	342
Total market value of assets	13,641	7,659
Present value of schemes' liabilities - funded	(25,084)	(13,312)
Deficit in the schemes	(11,443)	(5,653)

#### Amounts recognised in the statement of financial activities

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Current service cost	2,123	1,119
Losses/(gains) on curtailments and settlements	18	-
Inherited on conversion	2,365	3,793
Total operating charge	4,506	4,912

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 29 Pension and similar obligations (continued)

##### Analysis of pension finance (income)/costs

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
Expected return on pension scheme assets	(591)	(279)
Interest on pension liabilities	798	419
Pension finance costs	<u>207</u>	<u>140</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a deficit of £1,985,000 (2013: £337,000)

##### Movements in the present value of defined benefit obligation

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
At 1 September	13,312	5,289
Inherited on conversion	3,774	5,771
Current service cost	2,123	1,119
Interest cost	798	419
Employee contributions	508	297
Losses/(gains) on curtailments and settlements	18	-
Actuarial losses	4,688	459
Benefits paid	(137)	(42)
At 31 August	<u>25,084</u>	<u>13,312</u>

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 29 Pension and similar obligations (continued)

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

	At 31 August 2014	At 31 August 2013
	£ 000	£ 000
At 1 September	7,659	3,670
Inherited on conversion	1,409	1,978
Expected return on assets	591	279
Actuarial gains	1,719	498
Employer contributions	1,892	979
Employee contributions	508	297
Benefits paid	(137)	(42)
At 31 August	<u>13,641</u>	<u>7,659</u>

The estimated value of employer contributions for next period is £2,187,000.



## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 29 Pension and similar obligations (continued)

##### History of experience adjustments

Amounts for the current and previous four periods are as follows:

	2014	2013	2012	2011	2010
	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of scheme liabilities	(25,084)	(13,312)	(5,289)	(3,691)	(1,574)
Fair value of scheme assets	13,641	7,659	3,670	2,784	1,093
Deficit in the scheme	(11,443)	(5,653)	(1,619)	(907)	(481)

	2014	2013	2012	2011	2010
	£ 000	£ 000	£ 000	£ 000	£ 000
Experience adjustments arising on scheme assets	1,719	496	72	132	78
Experience adjustments arising on scheme liabilities	(1,637)	148	-	-	1

#### 30 Related party transactions

During the year the Trust purchased goods and services from organisations which, under Financial Reporting Standard 8, are considered to be connected to the trustees: one trustee is a trustee of the British Olympic Association £20,612 (equipment); two trustees are trustees of Uppingham School £701 (training); a partner of a trustee is a trustee of The Royal College of Music - £680 (enrichment); one trustee is a trustee of Nottingham University £1,470 (training); one trustee is a director of Grantham Investments Limited £7,000 (letting of office premises); one trustee is a partner in Duncan & Toplis £51,050 (internal audit services). All of these transactions were acquired at arm's length in accordance with the Trust's financial regulations and normal procurement procedures. The charge for the rental property is estimated to be 50% of the actual market value. The Trust ceased to lease the premises on 1 January 2014. With the exception of the contract with Duncan & Toplis, none of the aforementioned transactions fall under the definition of connected parties as set out in the Academies Financial Handbook. The contract with Duncan & Toplis was let before 7 November 2013 and therefore does not fall under the "at cost" requirements as set out in the Academies Financial Handbook.

Mr D Ross and Mr M Bolland are trustees of the David Ross Foundation, which, during the year ended 31 August 2014, allowed the Trust use of its office space without charge. This has been valued at £97,000. The Foundation also made specific donations of £718,000 and input a further £500,000 into the endowment. The monies donated include £61,000 that was given for the specific purpose of establishing a model farm on farmland within the estate of Nevill Holt (the Leicestershire home of David Ross) for use by the academies and other schools in the local area. The Foundation also gifted shares to the Trust valued at £2,028,000.

## **David Ross Education Trust**

### **Notes to the Financial Statements for the Year Ended 31 August 2014**

#### **31 Post balance sheet events**

On 1 September 2014 the Trust admitted further academies into the Trust, being:

- i) Barnes Wallis Academy, a secondary school in Tattershall, Lincolnshire;
- ii) Bringhurst Primary Academy, a primary school in Leicestershire;
- iii) Malcolm Arnold Preparatory School, a free school in Northampton

Further schools are expected to join the Trust in the coming year.

In addition, the Trust has been given approval to establish two free schools: the Ashworth Preparatory School in Corby, which is expected to open on 1 September 2015, and the Legatum Free School, based on the Olympic Park in London, which is planned to open on 1 September 2016.

## David Ross Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2014

#### 32 Academy boarding trading account for the year ended 31 August 2014

	£ 000
<b>Income</b>	
Fee income	337
<b>Expenditure - Direct costs</b>	
Other direct costs	81
<b>Expenditure - Indirect costs</b>	
Staff costs	329
Utilities	31
Rent and rates	4
Security	1
Buildings maintenance	15
Depreciation	23
Other indirect costs	29
Total indirect costs	<u>432</u>
Total operating costs	<u>513</u>
Deficit on boarding	(176)
Surplus brought forward at 1 September 2013	<u>27</u>
Deficit carried forward at 31 August 2014	<u><u>(149)</u></u>

#### 33 Conversion to an academy trust

During the year ten schools joined the Trust; all the operations assets and liabilities were transferred to David Ross Education Trust from the appropriate local authority for £Nil consideration in all cases.

The transfers have been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### Charles Read Academy

[conversion date 1 September 2013 - West Grantham Academies Trust]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	2,070	2,070
Other tangible fixed assets	-	-	63	63
Budget surplus on funds from predecessor Trust	686	-	-	686
Net assets	686	-	2,133	2,819

The above net assets include £686,000 that were transferred as cash.

### Newnham Primary School

[conversion date 1 September 2013 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	345	345
Other tangible fixed assets	-	-	18	18
Budget surplus on LA funds	57	-	-	57
Net assets	57	-	363	420

The above net assets include £57,000 that were transferred as cash.

### Wold Academy

[conversion date 1 October 2013 - Hull City Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	1,740	1,740
Other tangible fixed assets	-	-	34	34
Net assets	-	-	1,774	1,774

The above net assets include £nil that were transferred as cash.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### Endike Academy

[conversion date 1 November 2013 - Hull City Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	6,790	6,790
Other tangible fixed assets	-	-	115	115
Budget surplus on LA funds	138	-	-	138
Net assets	138	-	6,905	7,043

The above net assets include £138,000 that were transferred as cash.

### Greenfields Primary Academy

[conversion date 1 November 2013 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	1,570	1,570
Other tangible fixed assets	-	-	26	26
Budget surplus on LA funds	150	-	-	150
Net assets	150	-	1,596	1,746

The above net assets include £150,000 that were transferred as cash.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### Thomas Hinderwell Primary Academy

[conversion date 1 November 2013 - Scarborough Borough Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	1,870	1,870
Other tangible fixed assets	-	-	44	44
Budget surplus on LA funds	109	-	-	109
Net assets	109	-	1,914	2,023

The above net assets include £109,000 that were transferred as cash.

### Abbey CE Academy

[conversion date 1 December 2013 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	159	159
Other tangible fixed assets	-	-	21	21
Budget surplus on LA funds	105	-	-	105
Net assets	105	-	180	285

The above net assets include £105,000 that were transferred as cash.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### Ainthorpe Primary School

[conversion date 1 December 2013 - Hull City Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	1,235	1,235
Other tangible fixed assets	-	-	34	34
Budget surplus on LA funds	73	-	-	73
Net assets	73	-	1,269	1,342

The above net assets include £73,000 that were transferred as cash.

### Kings Heath Primary Academy

[conversion date 1 February 2014 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Other tangible fixed assets	-	-	45	45
Budget surplus on LA funds	243	-	-	243
Net assets	243	-	45	288

The above net assets include £243,000 that were transferred as cash.

### Falconer's Hill Academy

[conversion date 1 May 2014 - Northamptonshire County Council]

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Leasehold land and buildings	-	-	850	850
Other tangible fixed assets	-	-	27	27
Budget surplus on LA funds	91	-	-	91
Net assets	91	-	877	968

The above net assets include £91,000 that will be transferred as cash. This amount is included in debtors.

# David Ross Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2014

### TOTAL

	Unrestricted fund	Restricted general fund	Restricted fixed asset fund	Total
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets				
Freehold and leasehold land and buildings	-	-	16,629	16,629
Other tangible fixed assets	-	-	427	427
Budget surplus on LA funds	966	-	-	966
Budget surplus on funds from predecessor Trust	686	-	-	686
Net assets	<u>1,652</u>	<u>-</u>	<u>17,056</u>	<u>18,708</u>

The above net assets include £1,652,000 that were transferred as cash, of which £92,000 is included in debtors.