

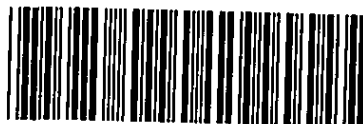
**Northern Education Trust**  
**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year ended 31 August 2013**

**Company Registration Number:**  
**07189647(England and Wales)**

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# **Northern Education Trust Report and Financial Statements**

## **Reference and Administrative Details**

### **Trustees**

Les Walton +  
Chris Roberts  
Ian Kershaw ^  
Brian Oglethorpe + ^  
Mark Sanders \*  
Roger Alston +  
Peter Buchan  
Ian Hickman \*  
Hilary Armstrong  
June Foster ^

^ Members of Achievement and Climate Committee

\* Members of Audit and Risk Committee

+ Directors at Company House

### **Company Secretary**

Peter Parish

### **Trust Senior Management Corporate Team**

Chief Executive  
Director of Human and Resources  
Director of Finance

Roger Alston  
Judith Telford  
Gareth Edmunds

### **Registered Office**

Cobalt Business Exchange  
Cobalt Park Way  
Wallsend  
Newcastle upon Tyne  
NE28 9NZ

### **Company Registration Number**

07189647

### **Auditors**

Baker Tilly Audit Limited  
2 Wellington Place  
Leeds  
LS1 4AP

### **Bank**

Barclays Bank  
Valley House  
Kingsway Team Valley  
Gateshead  
Tyne and Wear  
NE11 0JW

## Northern Education Trust Trustees' Report

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 2013

### Structure, Governance and Management

#### Constitution and Principal Activities

Northern Education Trust (NET) is a company limited by guarantee and an exempt charity (registration number 07189647). The Charitable Company's memorandum and articles of association are the primary governing documents of NET. For the purposes of company law the Trust board act as the Trustees for the charitable activities of NET. Details of Trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 2.

NET was incorporated in June 2012, sponsored by Northern Education Associates (NEA), a successful school improvement company. As at 31 August 2013 NET employed 1,300 members of staff with 3,800 pupils within the eight Academies. NET currently plans a further eight Academy conversions during 2013-14. The principal activity of NET is the sponsorship of primary and secondary Academies in the North of England.

Committed to ensuring that each Academy provides learning experiences enabling every individual to begin to look at learning as a life-long activity, pursued within a community which proclaims that *the welfare of others is the first concern of all and the education of every child is held to be of equal value in the comprehensive community school*.

We believe that the progress of pupils and students in their academic, social and physical development should be our prime focus, no matter of their starting points. We believe that the Trust's success should be measured against students' achievements and their progression to further education or training, higher education and to economic security and success in the world of work.

The principles of the **welfare of others** and of **equal value** must govern all decisions concerning pastoral and academic organisation and practices. It should also inform the style of relationships between staff, between staff and students, and between Academy and the community served. In order to achieve this we believe that investment in the development, welfare and care of our staff must be at the heart of our employment policies.

#### Members' Liability

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

#### Trustees Indemnities

Subject to the provisions of the Companies Act 2006, every Trustee and officer is indemnified against any liability incurred by them in their capacity in defending any proceedings, whether civil or criminal, in which judgement is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of Trust in relation to the affairs of the Trust.

#### Organisational Structure

The governance structure of the Trust is on two levels: the Trust board (and its subcommittees) and individual Academy governing bodies. The Trust board is responsible for the strategic decision making of the Trust. The Board of Directors is responsible for ensuring that high standards of corporate governance are maintained. It exercises its powers and functions by addressing such matters as policy and strategy development, adopting an annual plan and budget, monitoring the Trust by the use of budgets and making major decisions about the direction of the Trust and senior staff appointments.

## **Northern Education Trust Trustees' Report (continued)**

The board's responsibilities are

- To provide strategic direction for the Trust including the addition of further new Academies
- To provide strategic vision and support for School Improvement across the Trust
- To monitor the effectiveness of the Trust's support programme and to ensure that the Academies are satisfied with the support and that they are getting value for money
- To appoint and performance manage Academy Principals, Governing Bodies and interim executive boards
- To ensure financial accountability to the Department for Education and within each Academy is secure
- To appoint local governing boards and IEBs

At the Academy level, there are Governing bodies or interim executive boards. The main roles and responsibilities are

- Help set high standards by planning for the future and setting targets for school improvement
- Maintain and further develop school improvement
- Support the Principal to respond to the needs of parents and the community
- Support and engage with the local community
- Not to intervene in the day-to-day management of the school unless there are weaknesses in the school, when it then has a duty to take action

### **Risk Management**

NET has been through a process to assess its current and future risks and to identify and implement strategies for addressing risks. This process allows risks to be scored and prioritised in terms of their potential operational and financial impact, their likelihood of occurrence assessed and means of mitigation identified. The Trust board has reviewed the risks to which the Trust is exposed, and considered in particular those relating to the strategic development of the Trust and its Academies on-going performance, as well as its operational activities, and its finances.

NET has an effective system of internal financial controls and this is explained in more detail in the governance statement. Where significant financial risk still remains they have ensured they have adequate insurance cover.

### **Connected Organisations, including Related Party Relationships**

NET was formed in June 2012 sponsored by Northern Education Associates (NEA), a successful school improvement company. It is, however, a completely separate legal entity. The Trust is responsible and accountable for the performance of the Academies within it and has a funding agreement with the Education Funding Agency and then further supplemental funding agreements for each Academy it then sponsors.

Northern Education Associates has operated for over 10 years as a very successful school improvement partner with 20 local authorities and over 200 schools in the North of England. The large, skilled capacity of NEA for school improvement is available to the NET at cost.

## **Northern Education Trust Trustees' Report (continued)**

### **Objectives and Activities**

#### **Objects, Aims and values**

Our objective is for all the Trust's Academies to be at the forefront of international standards of excellence in educational provision and learning. This means that we should

- Raise achievement in our Academies so that key outcomes are well above national benchmarks
- Ensure that Ofsted inspections judge our Academies to be outstanding
- Plan and deliver progression routes for young people, developing strong relationships with industry, commerce and higher education
- Involve and empower parents and communities served by our Academies, and help their participation in bringing education alive for everyone
- Make our schools an integral part of those communities, contributing to social and economic well-being
- Develop wider opportunities for young people through, for example, sport, the arts and travel
- Enable our Academies to be active partners and as autonomous as possible within a shared accountability framework, helping to decide policy as well as taking part in school to school support

All our Academies share one rule "All students and adults are expected to behave in a responsible manner, both to themselves and others, showing consideration, courtesy and respect at all times "

#### **The Quality of Teaching**

We will raise achievement through a relentless drive to improve the quality of teaching and learning, employing outstanding teachers and leaders to model and coach good practice and to coach our people in best practise in planning, assessment, the use of data in classrooms, and collaborative and exploratory learning. The systems in our schools will ensure consistency, and the climate will be one of high expectation and aspiration for both staff and pupils.

#### **Links with Partners**

We are forming links with universities and colleges within the regions where we work. Examples of this are the close links between Kearsley Academy and the University of Bolton, our support for Bolton College as a sponsor, and our proposed link with Leeds Trinity University College and Sunderland University. We are in the process of linking with Chambers of Commerce in all of the regions where we operate. We allocate funding in our budget for "external relations" aimed at bringing together a wide range of experience to support the Trust and to help our young peoples' progression.

We are developing links with the Kaizen Partnership which delivers cutting edge projects in the community sector, focusing on making a difference through empowering individuals and communities. One of their current projects works towards encouraging parents to become more involved in the education of their children. They have a well-developed conceptual model to achieve this.

#### **Wider Opportunities for Pupils**

There are already examples of "events" between Academies – primary pupils from Bolton visiting a Newcastle school and joint activities arising from this. We plan to encourage and fund other wider opportunities in sport, performance, the arts and outdoors where young people from very different communities will work and learn together.

#### **Leadership and Governance**

Our leaders are amongst the best nationally and our recruitment processes ensure that this standard is maintained.

Outstanding governance at both board and local level is essential to our success, providing a stable strategic platform with appropriate challenge as well as support for our leaders. We achieve this by the selection of key

## **Northern Education Trust Trustees' Report (continued)**

people, including the Chair, who bring a range of expertise. Non-executive Governors add another important dimension, and our quality assurance process for Clerks ensures robust processes.

### Communications and Decision Making

Our Scheme of Delegation allows for a high degree of autonomy for local boards, where this is merited through Academy performance. We include both local Governors and Principals on our Trust Board. Termly meetings of "Heads and Chairs" and a termly meeting of Academy business managers with our Director of Finance ensure common high aspiration and the sharing of good practice.

### Financial Regulation

Academy finances are centralised enabling checks to be made centrally. We have a support system for finance officers in individual Academies, and an internal audit work programme aimed at ensuring compliance. Our aim is that all Academies converted before September 2013 will be compliant during 2013-14, and all Academies converting during that academic year will be at least working towards compliance.

Our Audit committee scrutinises central finances.

### Achievements and Performance

Some of our Academies have recently (until conversion) been in an Ofsted category requiring improvement, others have a long history of poor performance, some are good or outstanding. Our task is to ensure that they are all outstanding, or well on the way to outstanding within three years of conversion.

Some of our schools were identified by the DfE, Ofsted and the Local Authorities as being in the deepest level of failure. Whilst other Trusts have been reluctant to take on such challenges or indeed have failed in their attempts to help these schools, NET has considered that their involvement is at the heart of their moral educational purpose.

The majority of the Academies sponsored are or have been in special measures or serious weakness during their history. Moving forward with the support gained from NET:

- The average improvement from 2012 in our primary Academies (those in the Trust for two terms or more) is 15% in 2013.
- The average improvement of our secondary Academies is 33%.
- Two of our secondary schools which were extremely vulnerable with regard to pupil intake have a projected increase in their intake of 50% since joining the Trust.

To transform the education of such schools requires educational and local social and economic regeneration. We do not believe in quick fixes. We are totally against improving schools by 'changing the intake'. Whilst we want rapid improvement, our desire is sustainable improvement. As experienced education interventionists, we expect our schools to be all good or outstanding within the next three years. We will move them all out of failure within the next twelve months.

Our clear priority for 2013-14, then, is school improvement, together with establishing first class support services for Academies, and a model of outstanding governance / leadership. We will put in place robust financial management systems in all the Academies and centrally, property management to ensure the suitability and effectiveness of our buildings, quality assurance, performance management, and risk management.

### Going Concern

After making appropriate enquiries, the Trust board and its Trustees have a reasonable expectation that NET 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.

## **Northern Education Trust Trustees' Report (continued)**

### **Financial Review**

#### **Financial and Risk Management Objectives and Policies**

The Trusts accounting period is from 1 September 2012 to 31 August 2013

Most of the Trusts income is obtained 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 2013 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. Grants are made to each of the individual Academies within the Trust and are restricted to fund the activities of the Academy to which they are granted.

Academies also receive grants for fixed assets from the EFA and via the Local Authorities. 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 (SOFA) as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2013, total expenditure of £18,289,000 (excluding the pension fund and depreciation) was met by recurrent grant funding from the EFA, other incoming resources, and funding carried forward from the previous year. The surplus of income over expenditure for the year (excluding the restricted fixed asset funds and the pension fund) was £3,212,000.

At 31 August 2013 the net book value of fixed assets was £24,917,000 and movements in tangible fixed assets are shown in note 15 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academies within the Trust.

Expenditure in the year has supported the key objectives of the Trust, with budgets being set in line with operational requirements which supported these.

In the course of the year the Academies have continued to refine the staffing structures required to deliver their objectives within the funding available. The Trust also established a central team including finance, HR, property and operations, which provides back office services as well as professional support to the Academies.

#### **Principal Risks and Uncertainties**

The two main risks identified are uncertainties around future changes in levels of funding and future pupil levels. These will be mitigated by the risk management framework put in place by the Directors.

#### **Reserves Policy**

The Directors have reviewed the resources of the Academies on conversion. This review encompassed the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

As a state funded organisation the Trustees have made an assumption that state funding will continue to increase at a minimum of at least current levels in real terms. The Trustees agree that each year there should be an appropriate level of reserves in order to provide a cushion to deal with unexpected emergencies or unforeseen events.

#### **Investment Policy**

The Directors' investment powers are governed by the Memorandum and Articles of Association, which permit the Trusts funds to be held in or upon such investments, securities or property as may be thought



## Northern Education Trust Trustees' Report (continued)

fit, subject nevertheless to such conditions (if any) and such consents (if any) as may for the time being be imposed or required by law

The policy is to invest surplus funds as to achieve the optimum return against an acceptable level of risk. The Trust's investments will be managed in conformity with our policy and the Memorandum and Articles of Association.

### Plans for Future Periods

Growth of the Trust has been rapid during 2012-13. We have stated clearly that our priority for 2013-14 is to improve achievement in current Academies. The only growth we would consider would be in geographical areas close to current Academies, especially where there might be primary/secondary links. Limited growth would help our school improvement capacity.

### Auditor

In so far as the Governors are aware:

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

Approved by order of the members of the Governing Body on 18<sup>th</sup> December 2013 and signed on its behalf by



Roger Alston  
Trust Director



Les Walton  
Chair

18 12-13.

## Northern Education Trust Governance Statement

### Scope of Responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that Northern 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 Trust board has delegated the day-to-day responsibility to Roger Alston, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Northern Education Trust and the Secretary of State for Education. He is also responsible for reporting to the Trust board any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Trustees' responsibilities. The Trust board has formally met six times during the period covered. Attendance during the year at meetings of the Trust board was as follows:

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>OUT OF POSSIBLE</u>
Les Walton Chairman	6	6
Chris Roberts Vice Chairman	5	6
Brian Oglethorpe Chair of Achievement and Climate Committee	6	6
Mark Sanders Chair of Audit and Risk Committee	6	6
Roger Alston	6	6
Hilary Armstrong	4	6
Peter Buchan	5	6
June Foster	5	6
Ian Hickman	4	4
Ian Kershaw	5	6

The Audit and Risk Committee is a sub-committee of the main Trust board. The purpose of the Audit and Risk Committee is to monitor the integrity of the financial statements of the Trust, appoint internal and external auditors, develop a risk assessment model and review the adequacy and security of arrangements for employees and contractors. Attendance at meetings in the year was as follows:

**Northern Education Trust  
Governance Statement (continued)**

<b><u>BOARD MEMBER</u></b>	<b><u>MEETINGS ATTENDED</u></b>	<b><u>OUT OF POSSIBLE</u></b>
Mark Sanders Chair of Audit and Risk Committee	2	2
Ian Hickman	2	2

The Achievement and Climate Committee is a sub-committee of the main Trust board. Its purpose is to consider and approve curriculum provision and associated teaching and support staff resource, approval of Improvement Plans, consideration of the condition and suitability for learning of the Academies' buildings and review the procedures for risk assessment of health and safety. Attendance at meetings in the year was as follows:

<b><u>BOARD MEMBER</u></b>	<b><u>MEETINGS ATTENDED</u></b>	<b><u>OUT OF POSSIBLE</u></b>
Brian Oglethorpe Chair of Achievement and Climate Committee	2	2
June Foster	2	2
Ian Kershaw	2	2

**The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy 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 established within Northern Education Trust for the year ended 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is reviewed by the Audit and Risk Committee and Trust board.

**Capacity to Handle Risk**

The Trust board has approved a risk register and continues to develop the process for continuously reviewing the risks to which it is exposed. Compliance controls are regularly reviewed, revised and implemented to mitigate operating and financial risks identified. The risk register and process continues to be developed and improved as to consider the existing and new operations within the Trust. The process of review and scrutiny continues to be further strengthened with the Audit and Risk Committee and Trust board considering regular reports.

**The Risk and Control Framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Trust board
- reviews by the Audit and Risk Committee of reports which indicate financial performance against the forecasts
- setting targets to measure financial and other performance

**Northern Education Trust**  
**Governance Statement (continued)**

- clearly defined procurement guidelines
- internal audit reports of financial arrangements and controls
- delegation of authority and segregation of duties
- identification and management of risks

Review of Effectiveness

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

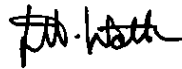
- the work of the internal auditor
- the work of the external auditor
- the financial management and governance self-assessment process
- the work of Trust directors and Principals within the Academies who have responsibility for the development and maintenance of the internal control framework

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Trust board on 18<sup>th</sup> December 2013 and signed on its behalf by



Roger Alston  
Trust Director



Les Walton  
Chair

18.12.13.

**Northern Education Trust**  
**Statement on Regularity, Propriety and Compliance**

As accounting officer of Northern Education Trust I have considered my responsibility to notify the Trust board 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 Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook

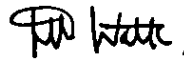
I confirm that I and the Trust board are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook

I confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Trust board and the EFA or, if occurring after the date of this statement, will be notified to the Trust board and the EFA

Approved by order of the members of the Trust board on 18<sup>th</sup> December 2013 and signed on its behalf by



Roger Alston  
Trust Director



Les Walton  
Chair

18.12.13.

## Northern Education Trust Statement of Trustees' Responsibilities

The Northern Education Trust Trustees' are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Requirements 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 then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business

The 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 members of the Governing Body on 18<sup>th</sup> December 2013 and signed on its behalf by



Roger Alston  
Trust Director



Les Walton  
Chair

18.12.13

**Independent Auditor's Report on the Financial Statements to the Members of  
Northern Education Trust (Limited by Guarantee) for the Year Ended 31 August 2013  
Company Registration Number: 07189647**

We have audited the financial statements of Northern Education Trust for the year ended 31 August 2013 on pages 16 to 37. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

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

**Respective responsibilities of Trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 13, the Governors (who act as trustees for the charitable activities of the charitable company, and are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 standards require us to comply with the Auditing Practices Board's (APB'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 [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx).

**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 as at 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006, and
- have been prepared in accordance with the Academies Accounts Direction 2013 issued by the Education Funding Agency.

**Opinion on other requirement of the Companies Act 2006**

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

*Baker Tilly Audit Ltd*

Alan Dunwell (Senior Statutory Auditor)

For and on behalf of Baker Tilly Audit Limited, Statutory Auditor

2 Wellington Place  
Leeds  
LS1 4AP

Date 20.12.2013



# Northern Education Trust

## Statement of Financial Activities for the Year to 31 August 2013

(including Income & Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Endowment Funds £000	Total 2013 £000	Total 2012 £000
<b>Incoming resources</b>							
<i>Incoming resources from generated funds</i>							
Voluntary income	3	864	526	25,267	506	27,163	-
Activities for generating funds	4	729	-	-	-	729	139
Investment income	5	3	-	-	-	3	-
<i>Incoming resources from charitable activities</i>							
Funding for the Trust's educational operations	6	-	17,815	96	-	17,911	3,541
Project management grants	7	-	1,058	-	-	1,058	-
<b>Total incoming resources</b>		<b>1,596</b>	<b>19,399</b>	<b>25,363</b>	<b>506</b>	<b>46,864</b>	<b>3,680</b>
<b>Resources expended</b>							
<i>Cost of generating funds</i>							
Brought forward defined benefit pension scheme liability	9, 31	-	2,975	-	-	2,975	-
<i>Charitable activities</i>							
Trust's educational operations	9	224	18,139	557	-	18,920	3,960
Governance costs	10	-	100	-	-	100	57
<b>Total resources expended</b>	7	<b>224</b>	<b>21,214</b>	<b>557</b>	<b>-</b>	<b>21,995</b>	<b>4,017</b>
<b>Net incoming (outgoing) resources before transfers</b>		<b>1,372</b>	<b>(1,815)</b>	<b>24,806</b>	<b>506</b>	<b>24,869</b>	<b>(337)</b>
<b>Transfers</b>							
Gross transfers between funds	19	-	(179)	179	-	-	-
<b>Net incoming (outgoing) resources before other recognised gains and losses</b>		<b>1,372</b>	<b>(1,994)</b>	<b>24,985</b>	<b>506</b>	<b>24,869</b>	<b>(337)</b>
<b>Other recognised gains and losses</b>							
Actuarial (losses) gains on defined benefit pension schemes	19, 31	-	(27)	-	-	(27)	(211)
<b>Net movement in funds</b>		<b>1,372</b>	<b>(2,021)</b>	<b>24,985</b>	<b>506</b>	<b>24,842</b>	<b>(548)</b>
<b>Reconciliation of funds</b>							
Total funds brought forward at 1 September 2012	19	-	(490)	130	-	(360)	188
<b>Total funds carried forward at 31 August 2013</b>		<b>1,372</b>	<b>(2,511)</b>	<b>25,115</b>	<b>506</b>	<b>24,482</b>	<b>(360)</b>

All of the Trust's activities derive from continuing operations during the above two financial periods

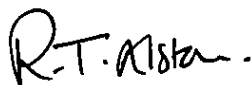
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

**Northern Education Trust**  
**Balance sheet as at 31 August 2013**

**Company Number**  
**07189647**

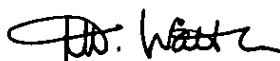
	Notes	2013 £000	2013 £000	2012 £000	2012 £000
<b>Fixed assets</b>					
Tangible assets	15		<u>24,917</u>		<u>130</u>
Total fixed assets			<u>24,917</u>		<u>130</u>
<b>Current assets</b>					
Stock	16	35		-	
Debtors	17	1,269		149	
Cash at bank and in hand		<u>3,673</u>		<u>226</u>	
Total current assets		<u>4,977</u>		<u>375</u>	
<b>Liabilities</b>					
Creditors Amounts falling due within one year	18	<u>(1,920)</u>		<u>(457)</u>	
Net current assets			<u>3,057</u>		<u>(82)</u>
Total assets less current liabilities			<u>27,974</u>		<u>48</u>
Creditors Amounts falling due after more than one year			-		<u>(92)</u>
Net assets excluding pension liability			<u>27,974</u>		<u>(44)</u>
Pension scheme liability	31		<u>(3,492)</u>		<u>(316)</u>
Net assets including pension liability			<u>24,482</u>		<u>(360)</u>
<b>Funds of the academy</b>					
Endowment funds	19		506		-
<b>Restricted funds</b>					
Fixed asset funds	19		25,115		130
General funds	19		981		(174)
Pension reserve	19, 31		<u>(3,492)</u>		<u>(316)</u>
Total restricted funds			<u>22,604</u>		<u>(360)</u>
<b>Unrestricted funds</b>					
General funds	19		<u>1,372</u>		-
Total unrestricted funds			<u>1,372</u>		-
Total Funds			<u>24,482</u>		<u>(360)</u>

The financial statements on pages 16 to 37 were approved by the Governors, and authorised for issue on 18 December 2013 and signed on their behalf by



Roger Alston  
Trust Director

18.12.13.



Les Walton  
Chair

**Northern Education Trust**  
**Cash Flow Statement for the year ended 31 August 2013**

		<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Net cash inflow from operating activities</b>	25	<b>3,426</b>	<b>145</b>
Returns on investments and servicing of finance	26	<b>3</b>	<b>-</b>
Capital expenditure	27	<b>18</b>	<b>(31)</b>
<b>(Decrease) / increase in cash in the year</b>	28	<b><u>3,447</u></b>	<b><u>114</u></b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September		<b>226</b>	<b>112</b>
<b>Net funds at 31 August</b>		<b><u>3,673</u></b>	<b><u>226</u></b>

## **Northern Education Trust**

### **Notes to the Financial Statements for the year ended 31 August 2013**

#### **1 Statement of Accounting Policies**

##### **Format of financial statements**

The standard format for the financial statements as required by the Companies Act 2006 has been adapted to provide more appropriate information which complies with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 ('Charities SORP 2005') and reflects the activities of the Academy

##### **Basis of accounting**

The financial statements are prepared under the historic cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice) and the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005)' and the Academies Accounts Direction 2013 issued by the EFA

##### **Going concern**

The directors 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 Northern Education Trust (NET) to continue as a going concern. The directors make this assessment in respect of a period of one year from the date of approval of the financial statements

##### **Incoming resources**

###### ***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

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

Sponsorship income provided to NET which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable

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

Donations are included in the statement of financial activities on a cash received basis or on an accruals basis where they are assured with reasonable certainty and are receivable at the balance sheet date

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

The value of donated services and gifts in kind provided to NET are recognised in the statement of financial activities as incoming resources and resources expended at their estimated value to NET in the period in which they are receivable, and where the benefit is both quantifiable and material.

###### ***Donated assets***

Donated assets are recognised in incoming resources at their fair (open market) value in the period in which they are receivable. An equivalent amount is recognised in the appropriate fixed asset category and depreciated over the expected useful economic life, consistent with the depreciation policy for that category

## **Statement of Accounting Policies (continued)**

### ***Other income***

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service

### ***Interest receivable***

Interest receivable is included within the statement of financial activities on a receivable basis

### **Resources expended**

Resources expended are recognised in the period in which they are incurred and include irrecoverable VAT. They have been classified under headings that aggregate all costs relating to that activity

### ***Allocation of costs***

In accordance with the Charities SORP, expenditure has been analysed between the cost of generating funds, the Academies' charitable activities and governance. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned

### ***Governance costs***

Governance costs include the costs attributable to the Academies' compliance with constitutional and statutory requirements, including audit, strategic management and directors' meetings and reimbursed expenses. Such costs include both direct and allocated support costs

### **Fund accounting**

Unrestricted funds represent those resources which may be used towards meeting any of the objects of NET at the discretion of the directors

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

Restricted general funds comprise all other restricted funds received and include grants from the EFA / DfE and other donors which are to be used for specific purposes as explained in the notes to the financial statements

### **Tangible fixed assets**

Tangible fixed assets acquired since NET was established are included in the accounts at cost

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). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy

Where assets are gifted or donated, the initial carrying amount is the fair (open market) value at the date of receipt

## Statement of Accounting Policies (continued)

Assets costing less than £1,000 are written off in the year of acquisition. All other assets are capitalised.

### Depreciation

Depreciation is provided on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for assets are:

Leasehold property and improvements	2% to 15% straight line basis
Fixtures and fittings	25% straight line basis
Computer equipment	25% straight line basis
Motor vehicles	25% straight line basis

### Freehold and Long Leasehold Property

Freehold and long leasehold properties are recognised in the balance sheet at their depreciated replacement cost as specialised properties (in accordance with Financial Reporting Standard 15). It is deemed appropriate to capitalise long leasehold properties as the organisation will have full use of the asset for its useful economic life.

Where freehold and leasehold properties represent donated assets they are recognised on the balance sheet at the fair value of their depreciated replacement cost on the date of their conversion.

The fair value of their depreciated replacement cost is determined through calculation by an independent expert, or historic cost transferred from previous LEA body, or insurance valuation, or internal valuation.

In accordance with Financial Reporting Standard 11 where an event or circumstance arises that may indicate that the carrying value of the asset is not recoverable an impairment is recognised. This risk is assessed on annual basis by those charged with governance.

Where independent valuations for EFA reporting requirements have been obtained, these are considered to represent such an event or circumstance. Due to the cost outweighing the benefit it is not the organisations policy to obtain an independent valuation for every property recognised in the balance sheet.

### Depreciation

Freehold and leasehold property, excluding land, is depreciated over its estimated useful economic life. Estimated useful economic life is determined by industry experience driven by information provided by independent experts.

### Stock

Unused stationery and uniform stocks are valued at the lower of cost or net realisable value.

### Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

### Taxation

The company 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

## **Statement of Accounting Policies (continued)**

company 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 and Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes

### **Pensions**

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

### **Defined Benefit Schemes**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 31, the TPS is a multi-employer scheme and the academy 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.

#### ***Local Government Pension Scheme***

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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.

### **Conversion to Academy Trust**

The conversions from state maintained schools to academies involved the transfer of identifiable assets and liabilities and the operations of the schools for £nil consideration. This has been accounted for under the acquisition accounting method.

The assets and liabilities on conversion from schools to NET have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income and resources expended 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 note 33.

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 2 General Annual Grant (GAG)

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 2013

### 3 Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2013 £000	Total 2012 £000
IT grant	-	1,023	-	1,023	-
Market Garden	-	60	-	60	-
Sponsor capacity grant	120	-	-	120	-
Funds inherited on merger	214	643	506	1,363	-
Funds inherited on conversion	487	24,067	-	24,554	-
Other donations	43	-	-	43	-
	<u>864</u>	<u>25,793</u>	<u>506</u>	<u>27,163</u>	<u>-</u>

### 4 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2013 £000	Total 2012 £000
Catering Income	151	-	-	151	61
Academy trips	24	-	-	24	-
Lettings	49	-	-	49	8
Uniforms	10	-	-	10	-
Consultancy	48	-	-	48	-
Insurance claims	54	-	-	54	-
Recharge of costs	61	-	-	61	-
Other	332	-	-	332	70
	<u>729</u>	<u>-</u>	<u>-</u>	<u>729</u>	<u>139</u>
	<u>729</u>	<u>-</u>	<u>-</u>	<u>729</u>	<u>139</u>

### 5 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2013 £000	Total 2012 £000
Short term deposits	3	-	-	3	-
	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>



# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 6 Funding for Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
<b>DfE/EFA capital grant</b>				
Devolved Formula Capital Allocations	-	80	80	11
Other Capital Grants	-	16	16	-
	<u>-</u>	<u>96</u>	<u>96</u>	<u>11</u>
<b>DfE / EFA revenue grants</b>				
General Annual Grant (GAG) (note 2)	-	14,379	14,379	2,118
Start Up Grants	-	710	710	676
Pupil Premium	-	1,169	1,169	-
Other DfE / EFA grants	-	217	217	522
	<u>-</u>	<u>16,475</u>	<u>16,475</u>	<u>3,316</u>
<b>Other Government grants</b>				
Local Authority Grants	-	589	589	-
SEN from LA	-	320	320	91
Other Government Grants	-	157	157	123
Nursery Grants and EYSFF	-	274	274	-
	<u>-</u>	<u>1,340</u>	<u>1,340</u>	<u>214</u>
	<u>-</u>	<u>17,911</u>	<u>17,911</u>	<u>3,541</u>

### 7 Project management grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Project Management Funding	-	1,058	1,058	-
	<u>-</u>	<u>1,058</u>	<u>1,058</u>	<u>-</u>

### 8 Resources Expended

	Staff Costs £000	Non Pay expenditure Premises £000	Other Costs £000	Total 2013 £000	Total 2012 £000
Trust's educational operations					
- Direct costs	10,870	-	2,128	12,998	2,854
- Allocated support costs	2,324	1,646	4,927	8,897	991
	<u>13,194</u>	<u>1,646</u>	<u>7,055</u>	<u>21,895</u>	<u>3,845</u>
Governance costs including allocated support costs	-	-	100	100	57
	<u>13,194</u>	<u>1,646</u>	<u>7,155</u>	<u>21,995</u>	<u>3,902</u>

### Net Incoming/outgoing resources for the year include

	2013 £000	2012 £000
Operating leases	86	1
Fees payable to auditor - audit	26	10
- other services	42	9
Profit/(loss) on disposal of fixed assets	(172)	-

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 9 Charitable Activities - Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
<b>Direct costs</b>				
Teaching and educational support staff costs	-	10,870	10,870	2,545
Educational supplies	-	563	563	121
Examination fees	-	145	145	45
Staff development	-	107	107	19
Academy trip expenditure	-	107	107	-
Educational consultancy	-	461	461	24
Project management costs	-	484	484	-
Lead in costs	-	45	45	-
Other direct costs	23	193	216	53
	<b>23</b>	<b>12,975</b>	<b>12,998</b>	<b>2,807</b>
<b>Allocated support costs</b>				
Support staff costs	34	2,290	2,324	441
Depreciation	-	557	557	50
Technology costs	-	302	302	58
Recruitment and support	-	44	44	8
Maintenance of premises and equipment	-	331	331	148
Administration	-	240	240	-
Cleaning	-	115	115	-
Energy costs	-	458	458	77
Rent, rates & other occupancy costs	-	185	185	-
Insurance	-	184	184	-
Bank charges	-	11	11	-
Security and transport	-	228	228	-
Catering supplies	165	248	413	65
Other support costs	2	354	356	191
Defined benefit pension costs	-	174	174	115
	<b>201</b>	<b>5,721</b>	<b>5,922</b>	<b>1,153</b>
Pension liability inherited on conversion - FRS17	-	2,975	2,975	-
	<b>224</b>	<b>21,671</b>	<b>21,895</b>	<b>3,960</b>

### 10 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
Legal and professional fees	-	26	26	21
Auditors' remuneration				
Audit of financial statements	-	26	26	10
Other services	-	42	42	9
Support costs	-	-	-	15
Governors' reimbursed expenses	-	6	6	2
	<b>-</b>	<b>100</b>	<b>100</b>	<b>57</b>

## Northern Education Trust

### Notes to the Financial Statements for the year ended 31 August 2013 (continued)

#### 11 Central Services

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

- School improvement
- Financial management
- HR and legal advice
- Facilities management
- Curriculum design
- Staff deployment
- Recruitment
- Audit services (internal and external)
- Data and Corero support
- Business services

With the exception of one Academy a 3% contribution was charged. The one academy excluded from the 3% contribution was given a significantly reduced one-off charge of 1% to assist in their school improvement programme.

The amounts charged during the year were as follows

	2013 £000
The Ferns Primary Academy	39
Hilton Primary Academy	34
Merlin Top Primary Academy	17
Mount Pellon Infants & Junior Academy	32
Ryecroft Primary Academy	34
Kearsley Academy	15
North Shore Academy	142
Dyke House Sports & Technology College	76
	<hr/> 389

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 12 Staff costs

Staff costs during the period were

	Total 2013 £000	Total 2012 £000
Wages and salaries	10,839	2,582
Social security costs	803	193
Other pension costs	1,331	188
	<u>12,973</u>	<u>2,963</u>
Supply teacher costs	81	63
Compensation payments	140	-
	<u>13,194</u>	<u>3,026</u>

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

	2013 No	2012 No
<b>Charitable Activities</b>		
Teachers	208 7	34
Administration and support	275 9	38
Management	68 5	8
	<u>553 1</u>	<u>80 00</u>

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

	2013 No	2012 No
£60,001 - £70,000	4	1
£70,001 - £80,000	3	-
£80,001 - £90,000	2	-
£90,001 - £100,000	3	-
£110,001 - £120,000	1	1
£150,001 - £160,000	1	-

Twelve of the above employees participated in the Teachers' Pension Scheme (one in 2012). During the year ended 31 August 2013, pension contributions for these staff amounted to £157,408 (2012 £6,300). One employee participated in the Local Government Pension Scheme. During the year ended 31 August 2013, pension contributions for this employee amounted to £5,088. The other employee did not receive pension contributions in the period.

### 13 Governors' remuneration and expenses

Principal and Staff Governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the Trust in respect of their role as Governors. The value of Governors' remuneration was

Roger Alston (staff trustee) £80,000 - £85,000

During the year ended 31 August 2013, £6,352 of travel expenses were reimbursed to seven Governors (2012 £2,000 to two Governors).

Related party transactions involving the Governors are set out in note 32.

### 14 Governors' and Officers' Insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2013 was £2,120 (2012 £700).

The cost of this insurance is included in the total insurance cost.

**Northern Education Trust**

**Notes to the Financial Statements for the year ended 31 August 2013 (continued)**

**15 Tangible Fixed Assets**

	Leasehold property and improvements £000	Fixtures & fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 1 September 2012	9	26	166	22	223
Additions	32	65	1,052	12	1,161
Inherited assets on merger	41	41	26	9	117
Inherited assets on conversion	24,067	-	-	-	24,067
Disposals	(50)	(41)	(131)	-	(222)
At 31 August 2013	<u>24,099</u>	<u>91</u>	<u>1,113</u>	<u>43</u>	<u>25,346</u>
<b>Depreciation</b>					
At 1 September 2012	2	12	75	4	93
Charged in year	249	20	113	3	385
Disposals	(2)	-	(47)	-	(49)
At 31 August 2013	<u>249</u>	<u>32</u>	<u>141</u>	<u>7</u>	<u>429</u>
<b>Net book values</b>					
At 31 August 2013	<u>23,850</u>	<u>59</u>	<u>972</u>	<u>36</u>	<u>24,917</u>
At 1 September 2012	<u>7</u>	<u>14</u>	<u>91</u>	<u>18</u>	<u>130</u>

**16 Stock**

	2013 £000	2012 £000
Stock	<u>35</u>	<u>-</u>
	<u>35</u>	<u>-</u>

**17 Debtors**

	2013 £000	2012 £000
Trade debtors	163	28
Prepayments	284	31
Sundry debtors	27	-
Accrued income	493	50
VAT recoverable	<u>302</u>	<u>40</u>
	<u>1,269</u>	<u>149</u>

**18 Creditors amounts falling due within one year**

	2013 £000	2012 £000
Trade creditors	1,033	259
Taxation and social security	170	-
Other creditors	95	21
Accruals and deferred income	530	177
GAG abatement	<u>92</u>	<u>-</u>
	<u>1,920</u>	<u>457</u>

**Deferred income**

	2013 £000
Deferred Income at 1 September 2012	-
Resources deferred in the year	115
Amounts released from previous years	-
Deferred Income at 31 August 2013	<u>115</u>

Deferred income held at 31 August 2013 included Early Years Funding £56,000, Insurance income £37,000 and other balances totalling £22,000

**Northern Education Trust**

**Notes to the Financial Statements for the year ended 31 August 2013 (continued)**

**19 Funds**

	Balance at 1 September 2012 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2013 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG) (i)	(158)	14,379	(13,386)	(179)	656
Project Management Grants (ii)	-	1,058	(733)	-	325
Funds inherited on merger (iii)	-	526	(526)	-	-
Start up grants	-	710	(710)	-	-
Pupil Premium	-	1,169	(1,169)	-	-
Local Authority Grants	-	589	(589)	-	-
Other DfE / EFA Grants	(16)	217	(201)	-	-
SEN	-	320	(320)	-	-
Other Government Grants	-	157	(157)	-	-
Nursery Grants and EYSFF	-	274	(274)	-	-
	<b>(174)</b>	<b>19,399</b>	<b>(18,065)</b>	<b>(179)</b>	<b>981</b>
<b>Pension reserve</b>	<b>(316)</b>	<b>-</b>	<b>(3,149)</b>	<b>(27)</b>	<b>(3,492)</b>
<b>Restricted fixed asset funds (iv)</b>					
DfE/EFA capital grants	130	16	(99)	-	47
DFC capital grants	-	80	(2)	-	78
IT Grant	-	1,023	(74)	-	949
Market Garden	-	60	-	-	60
Assets inherited on conversion/merger	-	24,184	(355)	-	23,829
Capital expenditure from GAG	-	-	(27)	179	152
	<b>130</b>	<b>25,363</b>	<b>(557)</b>	<b>179</b>	<b>25,115</b>
<b>Total restricted funds</b>	<b>(360)</b>	<b>44,762</b>	<b>(21,771)</b>	<b>(27)</b>	<b>22,604</b>
<b>Endowment funds</b>	<b>-</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>506</b>
<b>Unrestricted funds (v)</b>					
Unrestricted funds from conversion/merger	-	701	-	-	701
Unrestricted funds	-	895	(224)	-	671
<b>Total unrestricted funds</b>	<b>-</b>	<b>1,596</b>	<b>(224)</b>	<b>-</b>	<b>1,372</b>
<b>Total funds</b>	<b>(360)</b>	<b>46,864</b>	<b>(21,995)</b>	<b>(27)</b>	<b>24,482</b>

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

(i) GAG balance carried forward is to be used for recurrent expenditure in the forthcoming period. Under the Trust's Funding Agreement with the Secretary of State the Trust was not subject to a limit on GAG which could be carried forward at 31 August 2013

(ii) Project Management Grants are received and used for the conversion of maintained schools into Academy status within the Trust, and for school improvement programmes

(iii) Funds inherited on merger are restricted fund balances brought forward from individual Academies upon merger with the Trust

(iv) Restricted Fixed Asset Funds relate to income received from the DfE, other government grants, transfers from GAG income and income from sponsors of individual Academies prior to merger with the Trust. The funds balance include donated capital being school buildings and ICT assets. The depreciation relating to the assets procured is charged against these funds over the life of the assets

(v) Unrestricted Funds relate to funds brought forward upon individual schools integration with the Trust and from self generated income by the Trust's Academies

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 20 Analysis of net assets between funds

Fund balances at 31 August 2013 are represented by

	Unrestricted general fund	Restricted general fund	Restricted fixed asset fund	Endowment fund	Total 2013
	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	24,917	-	24,917
Current assets	1,372	2,901	198	506	4,977
Current liabilities	-	(1,920)	-	-	(1,920)
Pension scheme liability	-	(3,492)	-	-	(3,492)
<b>Total net assets</b>	<b>1,372</b>	<b>(2,511)</b>	<b>25,115</b>	<b>506</b>	<b>24,482</b>

### 21 Analysis of Academies by fund balance

Fund balances at 31 August 2013 were allocated as follows

	2013 £000
The Ferns Primary Academy	120
Hilton Primary Academy	61
Merlin Top Primary Academy	195
Mount Pellon Infants & Junior Academy	225
Ryecroft Primary Academy	164
Kearsley Academy	(190)
North Shore Academy	1,129
Dyke House Sports & Technology College	342
The Centre	307
	<u>2,353</u>
Restricted fixed asset fund	25,115
Endowment fund	506
Pension reserve	(3,492)
	<u>24,482</u>

### 22 Analysis of Academies by cost

	Teaching & Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding Depreciation) £000	Total £000
The Ferns Primary Academy	1,001	104	15	364	1,484
Hilton Primary Academy	955	66	70	243	1,334
Merlin Top Primary Academy	474	50	11	97	632
Mount Pellon Infants & Junior Academy	782	168	33	223	1,206
Ryecroft Primary Academy	939	109	59	374	1,481
Kearsley Academy	2,249	584	94	692	3,619
North Shore Academy	2,598	575	619	941	4,733
Dyke House Sports & Technology College	1,872	326	124	576	2,898
Central Services	-	342	-	906	1,248
	<u>10,870</u>	<u>2,324</u>	<u>1,025</u>	<u>4,416</u>	<u>18,635</u>

**Northern Education Trust**  
**Notes to the Financial Statements for the year ended 31 August 2013 (continued)**

**23 Capital commitments**

	2013 £000	2012 £000
Contracted for, but not provided in the financial statements	Nil	Nil

**24 Financial commitments**

***Operating leases***

At 31 August 2013 the Trust had annual commitments under non-cancellable operating leases as follows

	2013 £000	2012 £000
<u>Land and buildings</u>		
Expiring within one year	-	-
Expiring within two and five years inclusive	37	-
Expiring in over five years	-	-
	<u>37</u>	<u>-</u>
<u>Other</u>		
Expiring within one year	1	-
Expiring within two and five years inclusive	60	-
Expiring in over five years	-	-
	<u>61</u>	<u>-</u>

**25 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities**

	2013 £000	2012 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	24,869	(338)
Depreciation (note 15)	385	50
Loss/(profit) on disposal of tangible fixed assets	172	-
Capital grants from DfE and other capital income	(1,179)	-
Transfer of fixed assets on conversion	(24,184)	-
Interest receivable (note 5)	(3)	-
FRS 17 pension cost less contributions payable (note 31)	161	29
FRS 17 pension finance income (note 31)	13	(2)
(Increase)/decrease in stocks	(35)	-
(Increase)/decrease in debtors	(1,120)	7
Increase/(decrease) in creditors	1,372	399
Inherited FRS17 pension scheme liability	2,975	-
<b>Net cash inflow from operating activities</b>	<u>3,426</u>	<u>145</u>

**26 Returns on investments and servicing of finance**

Interest received	3	-
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>3</u>	<u>-</u>

**27 Capital expenditure and financial investment**

Purchase of tangible fixed assets	(1,161)	(20)
Capital grants from DfE/EFA	96	(11)
Capital funding received from sponsors and others	1,083	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>18</u>	<u>(31)</u>

**28 Analysis of changes in net funds**

	At 1 September 2012 £000	Cash flows £000	At 31 August 2013 £000
Cash in hand and at bank	226	3,447	3,673
	<u>226</u>	<u>3,447</u>	<u>3,673</u>



## **Northern Education Trust**

### **Notes to the Financial Statements for the year ended 31 August 2013 (continued)**

#### **29 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 EFA 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 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

#### **30 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

#### **31 Pension and similar obligations**

The Trust's employees belong to two principal pension schemes the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff 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 2004 and of the LGPS 31 August 2013

There were no outstanding contributions at the end of the year

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

###### **Introduction**

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

###### **The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation 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

## Northern Education Trust

### Notes to the Financial Statements for the year ended 31 August 2012 (continued)

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

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

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

##### Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just 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 were to be phased in from April 2012 on a 40/80/100% basis.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Trust 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.

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 and the implications for the academy in terms of the anticipated contribution rates.

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 31 Pension and similar obligations (continued)

#### Local Government Pension Scheme

The Local Government Pension Scheme is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The Trust's Academies and Central Service team are part of four different funds.

The funds that the charitable company is part of are Greater Manchester Pension Fund (The Ferns and Kearsley Academy), Teesside Pension Fund (Dyke House Sports & Technology College and North Shore Academy), Tyne & Wear Pension Fund (Central Team and Hilton Primary Academy), and West Yorkshire Pension Fund (Merlin Top Primary Academy, Mount Pellon Infants & Junior Academy and Ryecroft Primary Academy).

Across the four pension schemes total contributions made for the year ended 31 August 2013 were £651,000 of which employees' contributions totalled £174,000 and employers' contributions totalled £477,000. The contribution rates are between 6% and 30% for employers, and between 2% and 10% for employees.

#### Principal Actuarial Assumptions

2013	Rate of increase in salaries	Rate of increase for pensions in payment / inflation	Discount rate for scheme liabilities
The Ferns Primary Academy	4.60%	2.80%	4.60%
Hilton Primary Academy	4.70%	2.80%	4.50%
Merlin Top Primary Academy	4.60%	2.70%	4.40%
Mount Pellon Infants & Junior Academy	4.70%	2.80%	4.50%
Ryecroft Primary Academy	4.60%	2.70%	4.40%
Kearsley Academy	4.60%	2.80%	4.60%
North Shore Academy	4.40%	2.50%	4.50%
Dyke House Sports & Technology College	4.40%	2.50%	4.50%
The Centre	4.70%	2.80%	4.50%

2012	Rate of increase in salaries	Rate of increase for pensions in payment / inflation	Discount rate for scheme liabilities
Kearsley	4.00%	2.20%	4.10%

#### Mortality

The average future life expectancies at age 65 are summarised below.

	Males		Females	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
The Ferns Primary Academy	20.1	22.5	22.9	25.0
Hilton Primary Academy	21.7	23.5	23.9	25.8
Merlin Top Primary Academy	22.1	23.9	24.3	26.2
Mount Pellon Infants & Junior Academy	22.1	23.9	24.3	26.2
Ryecroft Primary Academy	22.1	23.9	24.3	26.2
Kearsley Academy	20.1	22.5	22.9	25.0
North Shore Academy	19.2	21.1	23.2	25.1
Dyke House Sports & Technology College	19.2	21.1	23.2	25.1
The Centre	21.7	23.5	23.9	25.8

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 31 Pension and similar obligations (continued)

The Trust's share of the assets and liabilities in the scheme and the weighted average expected rates of return were

	Expected return at 31 August 2013		Fair value at 31 August 2013 £000	Expected return at 31 August 2012 Single entity Trust	Fair value at 31 August 2012 £000
	Range Top	Range Bottom			
Equities	7.90%	6.60%	7,251	5.50%	955
Property	7.40%	4.70%	492	3.70%	69
Bonds	4.10%	3.90%	1,265	3.40%	277
Cash	3.60%	3.60%	444	2.80%	83
Other	7.90%	7.90%	270	-	-
<b>Total market value of assets</b>			<b>9,722</b>		<b>1,384</b>
Present value of scheme liabilities					
- Funded			(13,214)		(1,700)
<b>Surplus/(deficit) in the scheme</b>			<b>(3,492)</b>		<b>(316)</b>

None of the fair values of the assets shown above include any of the Trust's own financial instruments or any property occupied by, or other assets used by, the Trust

The actual return on the scheme assets was £669,000 (2012 £105,000)

### Total expenditure recognised in the Statement of Financial Activities

	2013 £000	2012 £000
Current service cost (net of employee)	161	95
Past service cost	-	22
Total operating charge	<b>161</b>	<b>117</b>
<b>Analysis of pension finance income / (costs)</b>		
Expected return on pension scheme assets	(355)	(73)
Interest on pension liabilities	368	71
Pension finance income / (costs)	<b>13</b>	<b>(2)</b>
<b>Total expenditure recognised in the Statement of Financial Activities</b>	<b>174</b>	<b>115</b>

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 31 Movements in the present value of defined benefit obligations were as follows

	2013 £000	2012 £000
At 1 September	1,700	1,233
Transferred balance	9,880	-
Current service cost	638	95
Interest cost	368	71
Employee contributions	174	37
Actuarial (gain)/loss	303	242
Benefits paid	(69)	-
Past Service cost	-	22
Net increase in liabilities from disposals and acquisitions	220	-
At 31 August	<u>13,214</u>	<u>1,700</u>

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

	2013 £000	2012 £000
At 1 September	1,384	1,154
Transferred balance	6,905	-
Expected return on assets	355	73
Actuarial gains / (losses)	314	31
Employer contributions	477	89
Employee contributions	174	37
Benefits paid	(69)	-
Net increase in liabilities from disposals and acquisitions	182	-
At 31 August	<u>9,722</u>	<u>1,384</u>

The estimated value of employer contributions for the year ended 31 August 2013 is £739,000

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

### The five-year history\* of experience adjustments is as follows

	2013 £000	2012 £000	2011 £000
Defined benefit obligation at end of year	(13,214)	(1,700)	(1,233)
Fair value of plan assets at end of year	<u>9,722</u>	<u>1,384</u>	<u>1,154</u>
Deficit	<u>(3,492)</u>	<u>(316)</u>	<u>(79)</u>
Experience adjustments on share of scheme assets			
Amount £'000	314	31	-
Experience adjustments on scheme liabilities			
Amount £'000	-	(1)	-

\* The Trust opened as Kearsley Academy in 2010/11. In 2012 the Trust became a multi-academy trust and was renamed Northern Education Trust.

### 32 Related Party Transactions

Owing to the nature of the Trust's operations and the composition of the Trust's Board being drawn from public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Trust's Board may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

During the period Northern Education Trust purchased services to the value of £782,147 from Northern Education Associates, a company of which Mr Brian Oglethorpe and Mr Leslie Walton, are directors. The transactions included costs for interim headteachers and senior staff in several of the Trust's Academies. At the year end the balance due to Northern Education Associates was £53k.

Kershaw Management Associates, a business which Ian Kershaw is a director. During the period Northern Education Trust purchased services to the value of £5,000 from Kershaw Management Associates. At the year end no balances were outstanding between Kershaw Management Associates and Northern Education Trust.

Payments totalling £24k and £5k have been paid to two directors of NEA for specialist project management related services. The directors receiving these payments are Diane Greaves (the wife of the trust chair) and Ian Kershaw (Managing Director of NEA).

# Northern Education Trust

## Notes to the Financial Statements for the year ended 31 August 2013 (continued)

### 33 Conversion to Academy Trust

The following schools converted to Academy Trust status under the Academies Act on the dates set out below

<u>Predecessor School</u>	<u>Academy</u>	<u>Conversion date</u>	<u>Local authority</u>
Plodder Lane Community Primary School	The Ferns Primary Academy	01/09/2012	The Borough Council of Bolton
Ryecroft Primary School	Ryecroft Primary Academy	01/09/2012	City of Bradford Metropolitan District Council
Hilton Primary School	Hilton Primary Academy	01/12/2012	The Council of the City of Newcastle Upon Tyne
Dyke House Sports and Technology College	Dyke House Sports & Technology College	01/04/2013	Hartlepool Borough Council
Merlin Top Primary School	Merlin Top Primary Academy	01/04/2013	City of Bradford Metropolitan District Council
Mount Pellon Junior and Infant School	Mount Pellon Infants & Junior Academy	01/04/2013	The Borough Council of Calderdale

All the operations and assets and liabilities were transferred to Northern Educational Trust from the local authorities listed above for £nil consideration

The transfer has 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 as net income in the Statement of Financial Activities as voluntary income.

During the period North Shore Health Academy also became an Academy within the Trust.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA

	<u>Unrestricted Funds</u> £'000	<u>Restricted General Fund</u> £'000	<u>Restricted Fixed Asset Fund</u> £'000	<u>Endowment</u> £'000	<u>Total</u> £'000
Tangible fixed assets	-	-	24,184	-	24,184
Budget surplus/(deficit) on LA funds	487	-	-	-	487
Academy funds	214	526	-	506	1,246
LGPS pension surplus/(deficit)	-	(2,975)	-	-	(2,975)
<b>Net assets/(liabilities)</b>	<b>701</b>	<b>(2,449)</b>	<b>24,184</b>	<b>506</b>	<b>22,942</b>

The above net assets includes £1,733,000 that was transferred as cash

All properties transferred from local authorities were transferred on 125 year lease agreements

## **Independent Reporting Accountant's Assurance Report on Regularity to the Members of Northern Education Trust for the Year Ended 31 August 2013**

In accordance with the terms of our engagement letter and further to the requirements of the Education Funding Agency ('EFA') as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Northern Education Trust during the period 1 September 2012 to 31 August 2013 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 Northern Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Northern Education Trust and the 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 Northern Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of Northern Education Trust's funding agreement with the Secretary of State for Education dated 4 July 2012 and the Academies Financial Handbook extant from 1 September 2012, 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. 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 2012 to 31 August 2013 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 issued by the 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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

## 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 2012 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

*Baker Tilly Audit Ltd*

Baker Tilly Audit Limited  
Statutory Auditor  
2 Wellington Place  
Leeds  
LS1 4AP

Date *20.12.2013*