

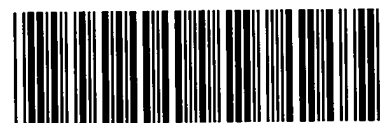
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Northern Education Trust
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended
31 August 2014

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07/05/2015

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COMPANIES HOUSE

Company Registration No. 07189647

Northern Education Trust

REFERENCE AND ADMINISTRATIVE DETAILS

Members (Directors)	Les Walton Ian Kershaw (appointed 13 October 2014) Brian Oglethorpe (resigned 24 February 2014) Roger Alston (resigned 12 October 2014) Gareth Edmunds (appointed 21 July 2014)
Trustees	Les Walton Chris Roberts Ian Kershaw *^ (resigned July 2013) Brian Oglethorpe ^ (resigned March 2013) Mark Sanders * Roger Alston (resigned October 2014) Peter Buchan (resigned December 2014) June Foster ^ Ian Hickman* (resigned July 2014) Paul Callaghan* (appointed June 2014) Suzanne Duncan (appointed June 2014) Shirley Davison (appointed June 2014) Andrew Jordan (appointed June 2014) Karen Foulger (appointed June 2014) Michael Sanderson (appointed June 2014)
^ members of Achievement and Climate Committee * members of Audit and Risk Committee	
Company Secretary	Peter Parish
Trust Senior Management Corporate Team:	
Chief Executive	Ian Kershaw (from 13 October 2014) Roger Alston (to 12 October 2014)
Director of Human and Resources	Judith Telford
Director of Finance	Gareth Edmunds
Registered Office	Cobalt Business Exchange Cobalt Park Way Wallsend Newcastle Upon Tyne NE28 9NZ
Company Registration Number	07189647
Auditor	Baker Tilly UK Audit LLP 2 Whitehall Quay Leeds LS1 4HG
Bankers	Barclays Bank Teesdale Business Park Stockton-on-Tees TS17 6YG

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 2014.

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 (22nd June 2012). 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 1.

NET was incorporated in June 2012, sponsored by Northern Education Associates (NEA), a successful school improvement company. As at 31 August 2014 NET employed 1,068 of staff with 1,600 pupils within the 15 academies. NET currently plans a further 5 conversions during 2014/15. 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 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, 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.

Trustee Recruitment and Appointment

The recruitment and appointment of Trustees is set out within the Articles of Association and Scheme of Delegation. The term of office, number and types of Trustees and specific role of the Chief Executive are all clearly defined.

Members' Liability

Each Members' 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.

Northern Education Trust

TRUSTEES' REPORT *(continued)*

Organisational structure

The governance structure of the Trust is on two levels: the Trust Board (and its subcommittees) and individual academy Local Governing Bodies. The Trust Board is responsible for the strategic decision making of the Trust. The Trust 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.

The Trust Board's responsibilities are:

1. To provide strategic direction for the Trust including the addition of further new Academies.
2. To provide strategic vision and support for School Improvement across the Trust.
3. To monitor the effectiveness of the Trusts support arrangements and to ensure that the Academies are satisfied with the support and that they are getting value for money.
4. To appoint and performance manage Academy Principals, Local Governing Bodies and Interim Executive Boards.
5. To ensure financial accountability to the Department for Education and within the Academies is secure.

At the Academy level, there are Local Governing Bodies or Interim Executive Boards. The main roles and responsibilities are:

1. Help set high standards by planning for the future and setting targets for school improvement.
2. Maintain and further develop school improvement.
3. Support the Principal to respond to the needs of parents and the community.
4. Support and engage with the local community.
5. Not 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.

The Trust has an anti-discriminatory policy which specifically covers unfair treatment of any service user, employee or perspective employee on grounds of disability. The policy is available to all employees via a network based communication system and covers responsibility, employment access, complaints, training and monitoring.

The Trust recognises the importance of internal communications and as such has a policy of ensuring all employees are kept informed of developments within the organisation. The policy sets out the belief that teamwork through communication will lead to more efficient and effective service to both staff and beneficiaries. This is achieved through passing on information at regular team meetings and the Trusts newsletter.

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. With effect from the 31st August 2014 there have been no related party transactions between NET and NEA.

Northern Education Trust

TRUSTEES' REPORT (*continued*)

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 allowed 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.

Trustees recognise and support fully the need for informed and effective systems of internal control and risk management. Investment has been made in establishing and developing these systems and Trustees are to review and strengthen the policy and approach adopted for Risk Management.

OBJECTIVES AND ACTIVITIES

Our values seek to ensure 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

Such a guiding principle requires all those skills and attitudes that encompass such words as tolerance, flexibility, sensitivity, compassion and respect. Trustees would wish to endorse the strength of each of these words and to expect that each of them be associated with the single most important principle of a comprehensive education. That is:

The education of every child is held to be of equal value in the comprehensive community school.

This principle applied to practice, needs more precise thought, determined implementation and constant monitoring than systems pretending greater simplicity. It must overarch decisions, guide planning and inform the style of relationships in each academy. It is through the discovery of organisational and human relationships which reflect this principle, that expectations can be raised.

It does not mean that everyone is equal in talent, social behaviour or opportunities. Rather it recognises individual differences and starting points, accepts proficiencies and deficiencies and notwithstanding these accepts the essential value and rights of the individual.

We believe that the progress of pupils and students in their academic, social and physical development should be our prime focus, no matter 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, 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.

There are six key priorities for ensuring that Trustees can be satisfied that we are meeting the obligations we have to the Secretary of State via the Funding Agreement:

Northern Education Trust

TRUSTEES' REPORT (*continued*)

1. To ensure that the good governance of the Trust and its academies is a product of:
 - Adherence to the principles of the Trust
 - Access to the right skills between trustees on the Board
 - Delivery of the right processes and procedures for decision-making and oversight of business by trustees and governors
 - Creating policies and procedures which are fit-for-purpose
2. To ensure that the health and safety of every member of staff, student and member of the public using Trust services and buildings are of paramount concern and that the processes and procedures for the safeguarding of young people are robustly managed, monitored and assessed against risk;
3. To ensure that financial planning and oversight of budget allocations lead to the efficient delivery of value-for-money services for young people in each academy and where audit and risk processes are able to demonstrate this to external audit and evaluation:
 - Invitations to robust external scrutiny and audit
4. To ensure that the leadership of each academy, and the support provided to them, is effective in delivering raised expectations and achievement for all pupils and students no matter their starting points, abilities, gender, race, religion or sexual orientation;
5. To ensure that the Trust and the leadership of each academy has planned investment in the professional development of all staff so that each may become a leader in their own right, responsible for the delivery of effective services or programmes of learning; and
6. To create constancy of purpose for improvement and investment in:
 - Continuous improvement in the quality of teaching
 - Continuous improvement in the quality of other services to students, families and the community
 - Innovation
 - Research, staff education and training
 - Equipment and resources

There is a single overarching rule that the Trust expects to be promoted and upheld in the Trust and its Academies:

“Every student and adult is expected to behave in a responsible manner, both to themselves and others, showing consideration courtesy and respect for other people at all times”

Value for Money (VfM) and Procurement

The Trust is aware of its responsibilities and accountability for ensuring VfM in the use of public resources. The Accounting Officer is aware of the guide to academy VfM and further details can be found within the Trust's VfM Statement.

Communications and Decision Making

Our Scheme of Delegation allows for a high degree of autonomy for Local Governing Bodies, 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 Directors of Finance and Human Resources ensure common high aspiration and the sharing of good practise.

Northern Education Trust

TRUSTEES' REPORT *(continued)*

Financial Regulation

Academy finances are centralised enabling checks to be made regularly. We have a support system for finance officers in individual academies, and an internal audit work programme aimed at ensuring compliance. We procured a new internal audit five year contract in the summer of 2014 commencing a new rolling programme of audits of all academies in each financial year from September 2014. Following the 2012/13 external audit Trustees commissioned an additional audit from the external auditors in the spring of 2014 to assess progress against the Management Letter. Our Audit Committee scrutinises academy and central team finances and considers all auditor information received.

Public Benefit

Trustees and Governors have referred to the public benefit guidance contained in part 1, section 4 of the Charities Act 2006 and the SORP (item GL 49), to have due regard to the Charity Commission's published general and relevant guidance when they have reviewed the Academy's aims and objectives. This has been used in planning future activities to ensure the primary objective of the Academy is achieved rather than providing a financial return to its shareholders.

Achievements and Performance

The Primary Academies received total income £16.6m and the Secondary Academies received £28.3m. With this resource the Trust has made substantial improvement in educational outcomes in some key areas. The educational outcomes and wider opportunities for young people achieved with this funding are set out below:

1. Two primary academies received inspection judgements of outstanding during the year.
2. One secondary Academy received a regional award as 'Community School of the Year'.
3. The Trust overall received the Independent Academies Association Best Practice Award for its high standards of governance.
4. Secondary academy performance for five A* - C grades at GCSE fell by 2% from 46% to 44% in 2014. These results need to be considered alongside national results that fell by around 5%. Regionally in the North East, results fell by 5%, with both North Tyneside and Sunderland results dropping by as much as 9%.
5. 2014 KS2 data for primary academies showed seven out of the eight academies achieving above national floor targets in combined Reading Writing and Maths (RWM), an upward trend from 2013.
6. The Ferns, Merlin Top and Mount Pellon Primary Academies have shown significantly improved combined RWM results. Academies which have performed well with expected progress in Reading, are Frederick Nattrass (+10%) and The Ferns (16%). The Ferns and Mount Pellon have also both showing improvements in writing and maths.
7. Wider opportunities for students have been developed with a Trust wide arts event and secondary football tournament.

Targeted improvement within the Trust has been focussed on:

1. The appointment of two Secondary Assistant Associate Principals English and Maths to support secondary leadership and teaching of these two core areas Trust-wide. Two similar posts are planned to assist the Primary Academies.

Northern Education Trust

TRUSTEES' REPORT *(continued)*

2. Significant impact and improvements have been made in our secondary academies as a result of targeted intervention in improving rates of progress in English by 13% (1% rise nationally) and maths by 2% (5% drop national drop) but we recognise we have further to go.
3. All three Secondary Academies that converted in 2013-14 improved Expected Progress in:
 - a. English; one by as much as 22%.
 - b. Maths; one by as much as 9% and another by 8%.
4. North Shore Academy this time last year was in Special Measures, it has now improved its expected progress in both English and Maths by 4.3% and 13% respectively, closing the gap rapidly against national averages.

STRATEGIC REPORT

Financial Review

Financial and Risk Management Objectives and Policies

The Trust's accounting period is from 1 September 2013 to 31 August 2014.

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 year ended 31 August 2014 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 their major 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 year ended 31 August 2014, total expenditure of £48,259k (excluding the pension fund) 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 £804k.

At 31 August 2014 the net book value of fixed assets was £90,623k (2013: £55,873k) and movements in Tangible Fixed Assets are shown in note 14 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 that 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 enhanced its central team including finance, HR, property and operations, which provide back office services as well as professional support to the academies.

Northern Education Trust

TRUSTEES' REPORT *(continued)*

Key Performance Indicators (KPI)

As a newly developing organisation with rapid growth over the past two years, The Trust is in the process of developing its KPI targets. The KPI's being developed cover both financial and non-financial targets and will be reported to both the Trusts Sub-Committees and Board for recommendation and approval.

Reserves Policy

The Trustees 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.

The Unrestricted Funds of £3,137k (2013: £1,372k) are freely available for general purposes. These will be allocated in line with the strategic objective of the Academy Trust.

The Restricted Funds comprise of Restricted General Funds of £nil (2013: £981k) and the Pension Liability of £8,958k (2013: £3,492k). It is the opinion of the Trustees that the pension liability will not fall due for payment in the foreseeable future.

The Restricted Pension Fund is in deficit to the value of £8,958k (2013: £3,492k) as at the year end. However this has been inherited upon conversion to Academy status. The Trustees will continue to monitor this situation closely.

Investment Policy

The Trustees 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 propriety as may be deemed 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 so 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 2013/14. We have stated clearly that our priority for 2014/15 is to improve achievement in our 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.

Going concern

After making appropriate enquiries, the Trust Board and its Directors 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)*

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 and monitored via the risk management framework put in place by the Trust.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to the auditor

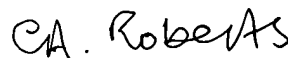
The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit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

The Trustees' Annual Report is approved by order of the Board of Trustees and the Strategic Report (included therein) is approved by the Board of Trustees in their capacity as the directors at a meeting on 17 December 2014 and signed on its behalf by:

Ian Kershaw
Accounting Officer



Chris Roberts
Vice Chair of Trustees



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 the Chief Executive of Northern Education Trust, 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 Trustees' Report and in the Statement of Trustees' responsibilities. The Trust Board has formally met four times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>OUT OF POSSIBLE</u>
Les Walton - Chairman	4	4
Chris Roberts -Vice Chairman	3	4
Brian Oglethorpe (resigned March 2013) Chair of Achievement and Climate Committee	1	1
Mark Sanders Chair of Audit and Risk Committee	4	4
Roger Alston (resigned October 2014)	4	4
Hilary Armstrong (resigned Nov 2013)	0	1
Peter Buchan (resigned Dec 2013)	1	1
June Foster Chair of Achievement and Climate Committee (Sept 2013)	4	4
Ian Hickman (resigned July 2014)	3	4
Ian Kershaw (resigned July 2013, attended Oct/Dec 2013 as an observer)	2	4
Shirley Davison (appointed March 2014)	2	2
Andrew Jordon (appointed March 2014)	2	2
Karen Foulger (appointed March 2014)	2	2
Michael Sanderson (appointed March 2014)	1	2
Suzanne Duncan (appointed June 2014)	1	1

Northern Education Trust

GOVERNANCE STATEMENT *(continued)*

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:

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>OUT OF POSSIBLE</u>
Mark Sanders Chair of Audit and Risk Committee	4	4
Ian Hickman	4	4
Paul Callaghan (appointed June 2014)	1	1

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:

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>OUT OF POSSIBLE</u>
Brian Oglethorpe Chair of Achievement and Climate Committee	1	1
June Foster Chair of Achievement and Climate Committee from Sept 2013	3	3
Andrew Jordon (appointed March 2014)	1	1
Shirley Davison (appointed March 2014)	1	1
Suzanne Duncan (appointed June 2014)	0	0

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 2014 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.

Northern Education Trust

GOVERNANCE STATEMENT *(continued)*

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

Review of Effectiveness

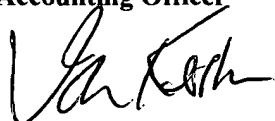
As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process; and
- 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 Board of Trustees on *17 December 2014* and
signed on its behalf by:

Ian Kershaw
Accounting Officer



Chris Roberts
Vice Chair of Trustees



Northern Education Trust

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Northern Education Trust I have considered my responsibility to notify the Academy 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 Board of Trustees on *17 December 2014* and signed on its behalf by:



Ian Kershaw
Accounting Officer

Date: *17 December 2014*

Northern Education Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees, who are also directors of the Charitable Company, are responsible for preparing the Trustees Report and the financial statements in accordance with the Annual Accounts Director 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 Board of Trustees on *17 December 2014* and signed on its behalf by:

Chris Roberts
Vice Chair of Trustees



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN EDUCATION TRUST FOR THE YEAR ENDED 31 AUGUST 2014

We have audited the financial statements of Northern Education Trust for the year ended 31 August 2014 on pages 17 to 54. 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 to 2014 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 14, the trustees (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/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 as 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 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 to 2014 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 and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN
EDUCATION TRUST FOR THE YEAR ENDED 31 AUGUST 2014 (CONTINUED)**

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 UK Audit LLP

ALAN DUNWELL (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

Date: 19.12.14

Northern Education Trust

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES)

for the year ended 31 August 2014

	Notes	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Endowment Funds £'000	Total 2014 £'000	As restated Total 2013 £'000
INCOMING RESOURCES							
Incoming resources from generated funds:							
Voluntary income	2	172	12	1,375	-	1,559	1,342
Voluntary income transfer from local authority on conversion	35	975	105	36,682	-	37,762	25,917
Activities for generating funds	3	1,848	-	-	-	1,848	729
Investment income	4	12	-	-	-	12	3
Incoming resources from charitable activities:							
Academy Trust's educational operations	5	-	43,199	-	-	43,199	17,815
Project management	6	-	-	-	-	-	1,058
Other operating resources		20	-	-	-	20	-
Total incoming resources		3,027	43,316	38,057	-	84,400	46,864
RESOURCES EXPENDED							
Cost of generating funds:							
Brought forward defined benefit pension scheme liability	7,33	-	3,726	-	-	3,726	2,975
Charitable activities:							
Academy Trust's educational operations	8	1,008	44,471	2,870	10	48,359	18,920
Governance costs	9	-	218	-	-	218	100
Total resources expended	7	1,008	48,415	2,870	10	52,303	21,995
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS		2,019	(5,099)	35,187	(10)	32,097	24,869
TRANSFERS							
Gross transfers between funds	20	(254)	74	180	-	-	-
NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES		1,765	(5,025)	35,367	(10)	32,097	24,869
INVESTMENT GAINS							
Unrealised gains		-	-	-	30	30	-
OTHER RECOGNISED GAINS AND LOSSES							
Actuarial losses on defined benefit pension scheme	20,33	-	(1,422)	-	-	(1,422)	(27)
NET MOVEMENT IN FUNDS		1,765	(6,447)	35,367	20	30,705	24,842
RECONCILIATION OF FUNDS							
Total funds brought forward as previously stated	20	1,372	(2,511)	25,115	506	24,482	(360)
Prior period adjustment	36	-	-	30,956	-	30,956	-
Total funds brought forward as previously stated	20	1,372	(2,511)	56,071	506	55,438	(360)
TOTAL FUNDS CARRIED FORWARD		3,137	(8,958)	91,438	526	86,143	55,438

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

Northern Education Trust

BALANCE SHEET

At 31 August 2014

Company Registered No. 07189647

	Notes	2014 £'000	2014 £'000	As restated 2013 £'000	2013 £'000
FIXED ASSETS					
Tangible assets	14		90,623		55,873
CURRENT ASSETS			90,623		55,873
Stock	15	29		35	
Debtors	17	3,387		1,269	
Investments	16	420		-	
Cash at bank and in hand		4,258		3,673	
		8,094		4,977	
CREDITORS: Amounts falling due within one year	18	(3,485)		(1,920)	
NET CURRENT ASSETS			4,609		3,057
TOTAL ASSETS LESS CURRENT LIABILITIES			95,232		58,930
CREDITORS: Amounts falling due after more than one year	19		(131)		-
NET ASSETS EXCLUDING PENSION LIABILITY			95,101		58,930
Pension scheme liability			(8,958)		(3,492)
NET ASSETS INCLUDING PENSION LIABILITY			86,143		55,438
FUNDS OF THE ACADEMY					
Endowment funds	20		526		506
RESTRICTED FUNDS					
Fixed asset funds	20		91,438		56,071
General funds	20		-		981
Pension reserve	33		(8,958)		(3,492)
TOTAL RESTRICTED FUNDS			82,480		53,560
UNRESTRICTED FUNDS					
General fund	20		3,137		1,372
TOTAL UNRESTRICTED FUNDS			3,137		1,372
TOTAL FUNDS	20		86,143		55,438

The financial statements on pages 17 to 54 were approved by the Trustees and authorised for issue on 17 December 2014 and are signed on their behalf by:

Ian Kershaw
Trust Director



Chris Roberts
Vice Chair of Trustees



Northern Education Trust

CASH FLOW STATEMENT

For the year ended 31 August 2014

	Notes	2014 £'000	As restated 2013 £'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	25	(746)	1,693
Returns on investments and servicing of finance	26	12	3
Capital expenditure	27	37	18
Financing	28	139	-
Cash transfer on conversion to Academy Trust	29	1,080	1,733
		<hr/>	<hr/>
INCREASE IN CASH IN THE YEAR	30	522	3,447
		<hr/>	<hr/>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS		2014 £'000	2013 £'000
Increase in cash in the year		522	3,447
Net cash inflow from other loans		(139)	-
		<hr/>	<hr/>
		383	3,447
		<hr/>	<hr/>
NET FUNDS AT 1 SEPTEMBER		3,673	226
		<hr/>	<hr/>
NET FUNDS AT 31 AUGUST		4,056	3,673
		<hr/>	<hr/>

Northern Education Trust

ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Statement of Recommended Practice ('SORP 2005') 'Accounting and Reporting by Charities', the Academies: Accounts Direction 2013 to 2014 issued by the Education Funding Agency and Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

The financial statements have been prepared on a going concern basis. The Trust's Leadership Team has carried out a detailed review of the individual academy's resources and the challenges presented by the current economic climate. At four secondary academies where the financial position was more significant and further clarification was sought. The plan is to revise and restructure resources and staffing arrangements. The Trustees have considered the Trust's Leadership Team's review and remain confident that the Trust has sufficient cash flows to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements.

Incoming resources

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

Grants receivable

Grant income is 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.

The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is recognised on a receivable basis and is credited directly to the Statement of Financial Activities, incoming resources from charitable activities, to the extent of the entitlement of the funds, any abatement in respect of the period is deducted from income and is recognised as a liability.

Capital grants are recognised as voluntary income on a receivable basis to the extent there is entitlement.

Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. 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.

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable.

Donations

Donations are included in the Statement of Financial Activities on receivable basis when there is certainty of receipt and the amounts can be reliably measured.

Donated services and gifts in kind

The value of donated services and gifts in kind provided to the Academy Trust are recognised in the Statement of Financial Activities as incoming resources and resources expended at their estimated value to Academy Trust 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 assets category and depreciated over the expected useful economic life, consistent with the depreciation policy for that category.

Northern Education Trust

ACCOUNTING POLICIES

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

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 to each activity cost category on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred on the Academy Trust's educational operations.

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

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.

All resources expended are inclusive of irrecoverable VAT

Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the directors.

Restricted Fixed Assets 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 on a continuing basis.

Restricted General Funds are resources subject to specific restrictions imposed by funds or donors, and include grants from the Educating Funding Agency/Department for Education.

Northern Education Trust

ACCOUNTING POLICIES

Tangible fixed assets

Tangible fixed assets acquired since the Academy Trust 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. When the related grants require the asset to be held for a specific purpose and continued to use they are credited to the Restricted Fixed Asset Fund in the Statement of Financial Activities and carried forward in the Balance Sheet with this amount being reduced over the 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.

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

Depreciation is charged on a monthly basis from the date of acquisition.

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.

Leasehold Property

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 leasehold properties as the organisation will have full use of the asset for its useful economic life.

Where 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 Local Education Authority 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.

Northern Education Trust

ACCOUNTING POLICIES

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

Pensions Benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes are contracted out of the State Earnings – Related Pension Scheme ('SERPS') (until April 2016), 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 quadrennial valuations using a prospective benefit method. As stated in Note 30, 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.

Northern Education Trust

ACCOUNTING POLICIES

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 the Academy Trust 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 35.

Investments

Investments are valued at market value at the balance sheet date, as required by the SORP.

Realised gains and losses are calculated by comparing the sale proceeds against the market value at previous balance sheet date, or cost if acquired during the period. Unrealised gains are calculated by comparing the current market value at the balance sheet date with that at the previous balance sheet date, or cost if acquired during the period.

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

1 GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State, the Trust was not subject to limits on the amount of GAG that could be carried forward at 31 August 2014.

2 VOLUNTARY INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	2013 Total £'000
DfE/EfA capital grant for building	-	1,375	-	1,375	96
IT grant	-	-	-	-	1,023
Market Garden	-	-	-	-	60
Sponsor capacity grant	-	-	-	-	120
Other donations	172	12	-	184	43
	<u>172</u>	<u>1,387</u>	<u>-</u>	<u>1,559</u>	<u>1,342</u>

3 ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	2013 Total £'000
Catering income	557	-	-	557	151
Academy trips	249	-	-	249	24
Lettings	264	-	-	264	49
Uniforms	34	-	-	34	10
Consultancy	339	-	-	339	48
Insurance claims	186	-	-	186	54
Recharge of costs	-	-	-	-	61
Other	219	-	-	219	332
	<u>1,848</u>	<u>-</u>	<u>-</u>	<u>1,848</u>	<u>729</u>

4 INVESTMENT INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	2013 Total £'000
Bank interest	12	-	-	12	3
	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>3</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

5 FUNDING FOR TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
DfE/EFA REVENUE GRANT				
General Annual Grant (GAG) (note 1)	-	36,445	36,445	14,379
Start up grants	-	923	923	710
Pupil Premium	-	3,597	3,597	1,169
Other DfE/EFA grants	-	505	505	217
	-	41,470	41,470	16,475
OTHER GOVERNMENT GRANTS				
Local Authority grants	-	815	815	589
SEN from LA	-	206	206	320
Other Government Grants	-	85	85	157
Nursery Grants and EYSFF	-	623	623	274
	-	1,729	1,729	1,340
TOTAL	-	43,199	43,199	17,815

6 PROJECT MANAGEMENT GRANTS

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
Project management funding	-	-	-	1,058

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

7 RESOURCES EXPENDED

	Staff costs £'000	Non pay expenditure Premises £'000	Other costs £'000	Total 2014 £'000	As restated Total 2013 £'000
Trust's educational operations					
- Direct costs	27,167	-	4,160	31,327	12,998
- Allocated support costs	6,593	5,430	5,009	17,032	6,281
	<u>33,760</u>	<u>5,430</u>	<u>9,169</u>	<u>48,359</u>	<u>19,279</u>
Governance costs including allocated support costs	-	-	218	218	100
	<u>33,760</u>	<u>5,430</u>	<u>9,387</u>	<u>48,577</u>	<u>19,379</u>
Brought forward defined Benefit pension scheme liability	-	-	3,726	3,726	2,975
	<u>33,760</u>	<u>5,430</u>	<u>3,726</u>	<u>52,303</u>	<u>22,354</u>
Net incoming/(outgoing) resources for the year				2014 £'000	2013 £'000
Operating leases				207	86
Fees payable to Baker Tilly UK Audit LLP and its associates for:					
- audit				71	26
- other services				33	42
Fees payable to Internal Auditor				19	-
Profit/(loss) on disposal of fixed assets				-	(172)

Outside planned range of activities

Included within resources expended are the following transactions. Individual transactions exceeding £5,000 are identified separately:

	Total £'000	Individual items above £5,000 Amount £'000	Reason
Ex-gratia/compensation payments	231	(see table below)	Staff restructuring
Fixed asset losses	23	23	Theft of iPads
	<u>254</u>		

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

7 RESOURCES EXPENDED (continued)

Outside planned range of activities (continued)

19 of the statutory/ contractual payments exceeded £5,000 individually which fell into the following bands:	
	No.
£5,000 -£10,000	10
£10,001-£15,000	7
£15,001-£20,000	1
£25,001-£30,000	1
	<u>19</u>

8 CHARITABLE ACTIVITIES – ACADEMY TRUSTS’ EDUCATIONAL OPERATIONS

	Total 2014 £’000	As restated Total 2013 £’000
DIRECT COSTS		
Teaching and educational support staff costs	27,167	10,870
Educational supplies	1,307	563
Examination fees	440	145
Staff development	274	107
Academy trip expenditure	474	107
Educational consultancy	588	461
Project management costs	712	484
Lead in costs	175	45
Other direct costs	190	216
	<u>31,327</u>	<u>12,998</u>
ALLOCATED SUPPORT COSTS		
Support staff costs	4,868	2,324
Depreciation	2,870	916
Technology costs	897	302
Recruitment and support	193	44
Maintenance of premises and equipment	1,084	331
Administration	759	240
Cleaning	323	115
Energy costs	910	458
Rent, rates and other occupancy costs	583	185
Insurance	441	184
Bank charges	13	11
Security and transport	377	228
Catering supplies	1,224	413
Other support costs	755	356
Defined benefit pension costs	1,725	174
Investment management fees	10	-
	<u>17,032</u>	<u>6,281</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

9 GOVERNANCE COSTS

	Total 2014 £'000	Total 2013 £'000
Legal and professional fees	1	26
Auditor's remuneration		
Audit of financial statements	71	26
Other services	33	42
Internal auditor's remuneration	19	-
Trustees' reimbursements and committee facilities	94	6
	<u>218</u>	<u>100</u>

10 CENTRAL SERVICES

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

School improvements
Financial management
HR and legal advice
Property management
Curriculum design
Staff deployment
Recruitment
Audit services (internal and external)
Data and Corero support
Business services
Health and safety

The Trusts' charges for these services provided was a flat 4% of income received, excluding targeted grants.

The actual accounts charged during the year were as follows: 2014
£'000

The Ferns Primary Academy	56
Hilton Primary Academy	56
Merlin Top Primary Academy	55
Mount Pellon Infants & Junior Academy	99
Ryecroft Primary Academy	38
Kearsley Academy	113
North Shore Academy	118
Dyke House Sports & Technology College	239
Abbey Park Primary Academy	25
Thomas Hepburn Community Academy	135
The Grangefield Academy	153
The Blyth Academy	187
Frederick Nattrass Primary Academy	42
The Oak Tree Academy	65
Norton Primary Academy	41
	<u>1,422</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

11	STAFF NUMBERS AND COSTS	2014 £'000	2013 £'000
	Staff costs		
	Staff costs during the year were:		
	Wages and salaries	26,258	10,839
	Social security costs	1,936	803
	Pension costs	3,902	1,331
		<u>32,096</u>	<u>12,973</u>
	Supply teacher costs	1,279	81
	Compensation payments	385	140
		<u>33,760</u>	<u>13,194</u>

Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £154k (2013: nil). All five of the non-statutory/non-contractual payments exceeded £5,000 individually which fell into the following bands:

	No.
£15,001 – £20,000	1
£25,001 – £30,000	3
£40,001 – £45,000	1
	<u>5</u>

Staff numbers

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

Education operations	2014 No	2013 No
Teachers	386	209
Administration and support	581	276
Management	102	69
	<u>1,069</u>	<u>553</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

11 STAFF NUMBERS AND COSTS *(continued)*

Higher paid staff

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

	2014 No	2013 No
£60,001 - £70,000	9	4
£70,001 - £80,000	6	3
£80,001 - £90,000	2	2
£90,001 - £100,000	1	3
£100,001 - £110,000	1	1
£110,001 - £120,000	1	-
£150,001 - £160,000	-	1

Sixteen of the above employees participated in the Teachers' Pension Scheme (2013: Twelve). During the year ended 31 August 2014, pension contributions for these staff amounted to £161,139 (2013: 157,408). The other employees did not receive pension contributions in the year.

12 TRUSTEES' AND DIRECTORS' REMUNERATION AND EXPENSES

Principal and Staff Trustees and Directors only receive remuneration in respect of services they provide under the roles of Principal and staff members under their contracts of employments and not in respect of their services as Trustees or Directors. Other Trustees did not receive any payments from the Academy Trust in respect of their role as Trustees.

Roger Alston the Chief Executive (until 12 October 2014), received remuneration of £75,000 (2013: £84,858), and is not accounting any retirement benefits.

Roger Alston also received additional remuneration of £33,100 in respect of the conversion work undertaken in the year.

Ian Kershaw, the Chief Executive (from 13 October 2014), received no remuneration during the year.

Gareth Edmunds, a Director of the Academy Trust (appointed during the year) received remuneration of £55,550 and is accruing retirement benefits under Local Government Pension Scheme. The contributions paid in the year amounted to £12,332.

One director (2013: None) is accruing retirement benefits under a defined benefit pension scheme, as detailed above.

Related party transactions involving the Governors are set out in note 34.

13 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 claim and the cost for the year ended 31 August 2014 was £4,100 (2013: £2,120).

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 2014

14	TANGIBLE FIXED ASSETS	<i>As restated</i>	<i>As restated</i>	<i>As restated</i>	<i>As restated</i>	<i>As restated</i>
		<i>Leasehold</i>	<i>Fixtures</i>	<i>Computer</i>	<i>Motor</i>	<i>Total</i>
		<i>property and</i>	<i>and</i>	<i>equipment</i>	<i>vehicles</i>	
		<i>improvements</i>	<i>fittings</i>			
		£'000	£'000	£'000	£'000	£'000
	Cost:					
	1 September 2013					
	as previously stated	24,099	91	1,113	43	25,346
	Prior period					
	adjustment	29,365	1,150	800	-	31,315
	1 September 2013					
	as restated	53,464	1,241	1,913	43	56,661
	Transfer on					
	conversion	36,263	148	270	1	36,682
	Additions	197	426	303	12	938
	31 August 2014	89,924	1,815	2,486	56	94,281
	Depreciation:					
	1 September 2013					
	as previously stated	249	32	141	7	429
	Prior period					
	adjustment	196	96	67	-	359
	1 September 2013					
	as restated	445	128	208	7	788
	Charged in the year	1,698	459	697	16	2,870
	31 August 2014	2,143	587	905	23	3,658
	Net book value					
	31 August 2014	87,781	1,228	1,581	33	90,623
	31 August 2013	53,019	1,113	1,705	36	55,873
15	STOCK				2014	2013
					£'000	£'000
	Stock				29	35

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

16 INVESTMENTS

	<i>Unrestricted funds £'000</i>	<i>Restricted funds £'000</i>	<i>Endowment funds £'000</i>	<i>Total £'000</i>
Market value at 1 September 2013	-	-	-	-
Addition at cost	-	-	400	400
Net gain on revaluation	-	-	20	20
	<hr/>	<hr/>	<hr/>	<hr/>
Market value at 31 August 2014	-	-	420	420
	<hr/>	<hr/>	<hr/>	<hr/>

The Academy Trust holds an investment portfolio consisting of mainly corporate bonds and cash.

17 DEBTORS

	2014 £'000	2013 £'000
Trade debtors	215	163
Prepayments	246	284
Sundry debtors	6	27
Accrued income	1,480	493
VAT recoverable	1,440	302
	<hr/>	<hr/>
	3,387	1,269
	<hr/>	<hr/>

18 CREDITORS: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	393	1,033
Taxation and social security	182	170
Other creditors	962	95
EFA creditor – GAG abatement	236	92
Accruals and deferred income	1,641	530
Bank overdraft	63	-
Salix Loan	8	-
	<hr/>	<hr/>
	3,485	1,920
	<hr/>	<hr/>

The bank overdraft relates to Dyke House Sports & Technology College as at 31 August 2014, due solely to un-presented items on the bank reconciliation.

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

DEFERRED INCOME

Deferred income at 1 September 2013	115
Resources deferred in the year	350
Amounts released from previous years	(115)
	<hr/>
Deferred income at 31 August 2014	350
	<hr/>

Deferred income held at 31 August 2014 included Early Years Funding £93k (2013 £56k), free school meals grant £153k (2013: £nil) and other balances totalling £104k (2013: £22k) and insurance income £nil (2013: £37k).

19	CREDITORS: Amounts falling after more than one year	2014 £'000	2013 £'000
	Salix Loan	131	-
		<hr/>	<hr/>
		131	-
		<hr/>	<hr/>
	The Loan repayment as follows:	2014 £'000	2013 £'000
	Expiring one year	8	-
	Expiring within two and five years inclusive	70	-
	Expiring in over five years	61	-
		<hr/>	<hr/>
		139	-
		<hr/>	<hr/>

The loan is being repaid at a rate of £17,500 per annum. No interest is payable on the loan.

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

20 FUNDS

	<i>At</i>		<i>As restated</i>				
	<i>1 September</i>	<i>Prior period</i>	<i>1 September</i>	<i>Incoming</i>	<i>Resources</i>	<i>Gains,</i>	<i>At</i>
	<i>2013</i>	<i>adjustment</i>	<i>2013</i>	<i>resources</i>	<i>expended</i>	<i>losses and</i>	<i>31 August</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>2014</i>
							<i>£'000</i>
RESTRICTED							
GENERAL FUNDS							
General Annual Grant							
(GAG) (i)	656	-	656	36,445	(37,175)	74	-
Project Management							
Grants (ii)	325	-	325	-	(325)	-	-
Funds inherited on							
conversion (iii)	-	-	-	105	(105)	-	-
Start up grants	-	-	-	923	(923)	-	-
Pupil Premium	-	-	-	3,597	(3,597)	-	-
Other DfE/EfA grants	-	-	-	505	(505)	-	-
Other donations	-	-	-	12	(12)	-	-
Local Authority Grants	-	-	-	815	(815)	-	-
SEN from Local							
Authority	-	-	-	206	(206)	-	-
Other government grants	-	-	-	85	(85)	-	-
Nursery Grants and							
EYSFF	-	-	-	623	(623)	-	-
	<u>981</u>	<u>-</u>	<u>981</u>	<u>43,316</u>	<u>(44,371)</u>	<u>74</u>	<u>-</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

20 FUNDS (*continued*)

	<i>At 1 September 2013 £'000</i>	<i>Prior period adjustment £'000</i>	<i>As restated At 1 September 2013 £'000</i>	<i>Incoming resources £'000</i>	<i>Resources expended £'000</i>	<i>Gains, losses and transfers £'000</i>	<i>At 31 August 2014 £'000</i>
PENSION RESERVE (vi)	(3,492)	-	(3,492)	-	(4,044)	(1,422)	(8,958)
RESTRICTED FIXED ASSET FUNDS							
DfE/EFA capital grants	125	-	125	1,375	(51)	-	1,449
IT Grant	949	-	949	-	(32)	-	917
Market Garden	60	-	60	-	(60)	-	-
Assets inherited on conversion	23,829	30,956	54,785	36,682	(2,722)	-	88,745
Capital expenditure from GAG	152	-	152	-	(5)	-	147
Capital expenditure from unrestricted funds	-	-	-	-	-	180	180
	<u>25,115</u>	<u>30,956</u>	<u>56,071</u>	<u>69,372</u>	<u>(2,870)</u>	<u>180</u>	<u>91,438</u>
TOTAL RESTRICTED FUNDS	<u>22,604</u>	<u>30,956</u>	<u>53,560</u>	<u>112,688</u>	<u>(51,285)</u>	<u>(1,168)</u>	<u>82,480</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

20 FUNDS (*continued*)

	<i>At 1 September 2013 £'000</i>	<i>Prior period adjustment £'000</i>	<i>As restated At 1 September 2013 £'000</i>	<i>Incoming resources £'000</i>	<i>Resources expended £'000</i>	<i>Gains, losses and transfers £'000</i>	<i>At 31 August 2014 £'000</i>
ENDOWMENT FUNDS	506	-	506	-	(10)	30	526
UNRESTRICTED FUNDS							
Unrestricted funds from conversion/merger	701	-	701	975	(1,008)	(254)	414
Unrestricted funds	671	-	671	2,052	-	-	2,723
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL UNRESTRICTED FUNDS	1,372	-	1,372	3,027	(1,008)	(254)	3,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNDS	24,482	30,956	55,438	84,400	(52,303)	(1,392)	86,143
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

20 FUNDS(*continued*)

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 GAG which could be carried forward at 31 August 2014.

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

(iii) Funds inherited on conversion 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 GAF income and income from sponsors of individual Academies prior to merger with the Trust. The funds balance includes 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 integrating with the Trust and from self-generated income by the Trust's Academies.

(vi) The Restricted Pension Fund is in deficit to the value of £8,958k (£3,492k) at the year end. However this has been inherited upon conversion to Academy status. The Trustees will continue to monitor this situation closely.

A total of £74k (2013: £nil) has been transferred from unrestricted funds to restricted funds to cover the excess spend of restricted funds.

A total of £180k (2013: 179k) has been transferred from unrestricted funds to restricted fixed asset funds for the purchase of fixed asset additions.

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

21	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	-	-	90,623	-	90,623
	Current assets	6,028	725	815	526	8,094
	Current liabilities	(2,891)	(594)	-	-	(3,485)
	Non-current liability	-	(131)	-	-	(131)
	Pension scheme liability	-	(8,958)	-	-	(8,958)
	TOTAL NET ASSETS AT 31 AUGUST 2014	3,137	(8,958)	91,438	526	86,143

ANALYSIS OF ACADEMIES BY FUND BALANCE

	2014 £'000	2013 £'000
Fund balances at 31 August 2014 were allocated as follows:		
The Ferns Primary Academy	52	120
Hilton Academy	4	61
Merlin Top Primary Academy	145	195
Mount Pellon Infants & Junior Academy	325	225
Ryecroft Primary Academy	92	164
Kearsley Academy	(385)	(190)
North Shore Academy	772	1,129
Dyke House Sports & Technology College	255	342
Abbey Park Primary Academy	94	-
Thomas Hepburn Community Academy	56	-
The Grangefield Academy	466	-
The Blyth Academy	621	-
Frederick Nattrass Primary Academy	97	-
The Oak Tree Academy	154	-
Norton Primary Academy	222	-
The Centre	167	307
	3,137	2,353
Restricted Fixed Asset Fund	91,438	56,071
Endowment Fund	526	506
Pension Reserve	(8,958)	(3,492)
	86,143	55,438

Kearsley Academy

The Trusts Leadership Team in conjunction with the Academy Principal and Local Governing Body have carried out a detailed review of the Academy's resources and the current challenges faced. A plan has been prepared to revise and restructure resources and staffing arrangements with support from within the Trust as a whole. Trustees remain confident that the plan will address the financial challenges faced and remedy the current deficit.

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

22	ANALYSIS OF ACADEMIES BY COST	Teaching & Educational Support Staff £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other costs (excluding Depreciation) £'000	Total funds £'000
	The Ferns Primary Academy	955	126	23	549	1,653
	Hilton Academy	1,268	128	74	450	1,920
	Merlin Top Primary Academy	1,169	140	63	393	1,765
	Mount Pellon Infants & Junior Academy	1,846	306	73	721	2,946
	Ryecroft Primary Academy	963	230	38	476	1,707
	Kearsley Academy	2,307	502	168	999	3,976
	North Shore Academy	2,537	288	161	1,100	4,086
	Dyke House Sports & Technology College	4,750	700	152	1,879	7,481
	Abbey Park Primary Academy	526	89	18	215	848
	Thomas Hepburn Community Academy	2,483	446	79	896	3,904
	The Grangefield Academy	2,408	272	171	795	3,646
	The Blyth Academy	2,974	865	204	1,147	5,190
	Frederick Natrass Primary Academy	722	84	15	315	1,136
	The Oak Tree Academy	1,326	186	30	483	2,025
	Norton Primary Academy	874	75	21	219	1,189
	The Centre	59	431	17	1,510	2,017
		<u>27,167</u>	<u>4,868</u>	<u>1,307</u>	<u>12,147</u>	<u>45,489</u>

23	CAPITAL COMMITMENTS	2014 £'000	2013 £'000
	Contracted for, but not provided in the financial statements	<u>104</u>	<u>-</u>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

24 FINANCIAL COMMITMENTS

OPERATING LEASES

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

	2014 £'000	2013 £'000
Land and buildings:		
Expiring within two and five years inclusive	47	37
	<hr/>	<hr/>
	47	37
	<hr/>	<hr/>
Other:		
Expiring within one year	39	1
Expiring within two and five years inclusive	13	60
Expiring in over five years	49	-
	<hr/>	<hr/>
	101	61
	<hr/>	<hr/>

**25 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2014 £'000	As restated 2013 £'000
Surplus on continuing operations after depreciation of assets at valuation	32,097	55,825
Depreciation (note 14)	2,870	744
Loss/(profit) on disposal of tangible fixed assets	-	172
Capital grants from DfE and other capital income	(1,375)	(1,179)
Transfer of fixed assets on conversion (note 35)	(36,682)	(55,499)
Cash impact of transfer on conversion (note 35)	(1,080)	(1,733)
Interest receivable (note 5)	(12)	(3)
FRS 17 pension cost less contributions payable (note 31)	346	161
FRS 17 pension finance income (note 31)	(26)	13
Decrease /(increase) in stocks	6	(35)
Increase in debtors	(2,118)	(1,120)
Increase in creditors	1,502	1,372
Inheritance FRS17 pension scheme liability	3,726	2,975
	<hr/>	<hr/>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(746)	1,693
	<hr/>	<hr/>

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

26	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2014 £'000	2013 £'000
	Interest received	12	3
	NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	12	3
27	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2014 £'000	2013 £'000
	Purchase of tangible fixed assets	(938)	(1,161)
	Capital grants from DfE/EFA	1,375	96
	Capital funding received from sponsors and others	-	1,083
	Purchase of investments	(400)	-
	NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	37	18
28	FINANCING	2014 £'000	2013 £'000
	Inflow from Salix Loan	139	-
		139	-
29	CASH TRANSFERRED ON CONVERSION TO THE ACADEMY TRUST	2014 £'000	2013 £'000
	Cash transferred on conversion	1,080	1,733
		1,080	1,733

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

30 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 September 2013 £'000	Cash flows £'000	At 31 August 2014 £'000
Cash in hand and at bank	3,673	585	4,258
Bank overdrafts	-	(63)	(63)
	<u>3,673</u>	<u>522</u>	<u>4,195</u>
Short terms debt	-	(8)	(8)
Long term debt	-	(131)	(131)
	<u>3,673</u>	<u>383</u>	<u>4,056</u>

31 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.

32 MEMBERS LIABILITIES

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.

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

33 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.

As described in note 35, the LGPS obligation relates to the employees of the Academy Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to and did join the Scheme in the year/period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

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 August 2013.

There were no outstanding contributions at the end of the year.

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), 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' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, scheme valuations had been suspended since the last valuation in 2004.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is 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 investigation, 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.

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

33 PENSION AND SIMILAR OBLIGATIONS (*Continued*)

Teachers' Pension Scheme (*continued*)

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, 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. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2013 to 31 March 2014, the employee contribution rate ranged between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015 and an employee cost cap of 10.9%, both to be set in regulations. The employer contribution rate will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

Under the definitions set out in Financial Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Academy Trust has taken the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The Academy Trust has set out above the information available on the scheme and the implications for the Academy Trust in terms of the anticipated rates.

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

33 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 five 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, North Shore Academy, Norton Primary Academy, Grangefield Academy, Oak Tree primary Academy and Frederick Nattrass Primary Academy), Tyne & Wear Pension Fund (Central Team, Hilton Primary Academy and Thomas Hepburn Academy), West Yorkshire Pension Fund (Merlin Top Primary Academy, Mount Pellon Infants & Junior Academy, Ryecroft Primary Academy and Abbey Park Primary Academy) and Northumberland County Council Pension Fund (Blyth Academy).

Across the five pension schemes total contributions made for the year ended 31 August 2014 were £1,858,000 of which employees' contributions totalled £451,000 and employers' contributions totalled £1,407,000. The agreed rates for future years are 12.8 per cent for employers and 5.5 per cent for employees.

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

33 PENSION AND SIMILAR OBLIGATIONS *(Continued)*

Principal actuarial assumptions

	Rate of increase on salaries		Rate of increase for pensions in payment/ inflation		Discount rate for scheme liabilities	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
The Ferns Primary Academy	3.8	4.6	2.7	2.8	3.7	4.6
Hilton Academy	3.6	4.7	2.1	2.8	3.7	4.5
Merlin Top Primary Academy	3.6	4.6	2.1	2.7	3.7	4.4
Mount Pellon Infants & Junior Academy	3.6	4.7	2.1	2.8	3.7	4.5
Ryecroft Primary Academy	3.6	4.6	2.1	2.7	3.7	4.4
Kearsley Academy	3.8	4.6	2.7	2.8	3.7	4.6
North Shore Academy	3.6	4.4	2.1	2.5	3.7	4.5
Dyke House Sports & Technology College	3.6	4.4	2.1	2.5	3.7	4.5
The Centre	3.6	4.7	2.1	2.8	3.7	4.5
	2014 %	On conversion %	2014 %	On conversion %	2014 %	On conversion %
Abbey Park Primary Academy	3.6	3.9	2.1	2.4	3.7	4.5
Thomas Hepburn Community Academy	3.6	3.8	2.1	2.3	3.7	4.5
The Grangefield Academy	3.6	3.9	2.1	2.4	3.7	4.4
The Blyth Academy	3.6	3.8	2.1	2.3	3.7	4.4
Frederick Nattrass Primary Academy	3.6	3.9	2.1	2.4	3.7	4.5
The Oak Tree Academy	3.6	3.9	2.1	2.4	3.7	4.5
Norton Primary Academy	3.6	3.9	2.1	2.4	3.7	4.4

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

33 PENSION AND SIMILAR OBLIGATIONS (*Continued*)

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	21.4	24.0	24.0	26.6
Hilton Academy	25.0	23.0	26.9	24.6
Merlin Top Primary Academy	24.7	22.5	27.7	25.4
Mount Pellon Infants & Junior Academy	24.7	22.5	27.7	25.4
Ryecroft Primary Academy	24.7	22.5	27.7	25.4
Kearsley Academy	21.4	24.0	24.0	26.6
North Shore Academy	25.1	22.9	27.7	25.4
Dyke House Sports & Technology College	25.1	22.9	27.7	25.4
Abbey Park Primary Academy	24.7	22.5	26.9	25.4
Thomas Hepburn Community Academy	25.0	23.0	27.7	24.6
The Grangefield Academy	25.1	22.9	26.9	25.4
The Blyth Academy	25.1	22.9	27.7	25.4
Frederick Nattrass Primary Academy	25.1	22.9	27.7	25.4
The Oak Tree Academy	25.1	22.9	27.7	25.4
Norton Primary Academy	25.1	22.9	27.7	25.4
The Centre	25.0	23.0	27.7	24.6

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

33 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 from 31 August 2014		Fair value at 31 August 2014	Expected return from 31 August 2013		Fair value at 31 August 2013
	Range top %	Range bottom %	£	Range top %	Range bottom %	£
Equities	6.3	7.5	14,028	7.9	6.6	7,251
Properties	4.5	6.8	1,041	7.4	4.7	492
Bonds	2.9	3.3	2,261	4.1	3.9	1,265
Cash	1.1	3.3	656	3.6	3.6	444
Other	7.5	7.5	470	7.9	7.9	270
TOTAL MARKET VALUE OF ASSETS			18,456			9,722
Present value of scheme liabilities						
- Funded			(27,414)			(13,214)
DEFICIT IN THE SCHEME			(8,958)			(3,492)

Northern Education Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2014

33 PENSION AND SIMILAR OBLIGATIONS (Continued)

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 £972,000 (2013: £669,000).

Total expenditure recognised in the Statement of Financial Activities

AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL ACTIVITIES	2014 £'000	2013 £'000
Current service cost	1,507	161
Past service cost	30	-
	<hr/>	<hr/>
Total operating charge	1,537	161
	<hr/>	<hr/>
ANALYSIS OF PENSION FINANCE INCOME/(COSTS)		
Expected return on pension scheme assets	1,042	355
Interest on pension liabilities	(1,016)	(368)
	<hr/>	<hr/>
Pension finance income/(costs)	26	(13)
	<hr/>	<hr/>
TOTAL EXPENDITURE RECOGNISED IN THE STATEMENT OF FINANCIAL ACTIVITIES	1,511	174
	<hr/>	<hr/>
MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS WERE AS FOLLOWS	2014 £'000	2013 £'000
At 1 September	13,214	1,700
Transferred balance on conversion	9,491	9,880
Current service cost	1,507	638
Interest cost	1,016	368
Employee contributions	451	174
Actuarial loss	1,354	303
Benefits paid	(116)	(69)
Net increase in liabilities from disposals acquisitions	30	-
Curtailments	467	220
	<hr/>	<hr/>
At 31 August	27,414	13,214
	<hr/>	<hr/>

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

34 RELATED PARTIES

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.

NET was formed in June 2012 sponsored by Northern Education Associates (NEA), a successful school improvement company, a company of which Mr Brian Oglethorpe and Mr Les Walton are directors. 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. With effect from the 31st August 2014 there have been no related party transactions between NET and NEA. Educational services to the value of £1,061k were purchased from NEA (2013: £782k) and consultancy income of £203k (2013: £nil) was generated during the year. At the year end the balance due to NEA was £118k (2013: £53k).

In establishing and sponsoring the Trust, NEA provided to the Trust experienced and proven senior managers and academy principals who had played key roles in establishing NEA as a successful school Improvement Company. Related party transactions will not be a feature of the 2014/5 accounts as all staff referred to have been transferred to NET at comparable salaries in line with the Academies Financial Handbook requirements, and all possess the appropriate skills, experience and qualifications for their roles. Diane Greaves, the wife of the Chairman, was one of the staff transferred and received payments totalling £26k (2013: £24k). Diane Greaves is an extremely experienced senior education sector manager and Ofsted inspector. Her work in the period for NET has focussed on assisting with the conversion of academies, helping improve the quality of local governance arrangements and leading on leadership and development reviews. The Trust was awarded the 2014 IAA Award for Innovative and Effective Governance as recognition of the work performed by the Director of Governance and Projects and Governance Officer, Diane Greaves.

Kershaw Management Associates is a business in which Ian Kershaw is a director. During the year Northern Education Trust purchased services to the value of £nil (2013: £5,000) from Kershaw Management Associates. At the year end no balances (2013: £nil) were outstanding between Kershaw Management Associates and Northern Education Trust.

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

35 CONVERSION TO ACADEMY TRUST

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

<i>Predecessor School</i>	<i>Academy</i>	<i>Conversion date</i>	<i>Local authority</i>
Abbey Park Primary School	Abbey Park Primary Academy	1/11/13	Calderdale Borough Council
The Thomas Hepburn Community Comprehensive School	Thomas Hepburn Community Academy	1/10/13	Gateshead Council
Grangefield School and Technology College	The Grangefield Academy	1/1/14	Stockton Borough Council
Blyth Community College	The Blyth Academy	1/10/13	Northumberland County Council
Frederick Nattrass Primary School	Frederick Nattrass Primary Academy	1/9/13	Stockton Borough Council
The Oak Tree Primary School	The Oak Tree Academy	1/9/13	Stockton Borough Council
Norton Primary School	Norton Academy	1/1/14	Stockton Borough Council

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.

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

	<i>Unrestricted funds</i> £'000	<i>Restricted General Fund</i> £'000	<i>Restructured Fixed Asset Fund</i> £'000	<i>Endowment</i> £'000	<i>Total</i> £'000
Tangible fixed assets	-	-	36,682	-	36,682
Budget surplus/(deficit) on					
LA funds	880	4	-	-	884
School funds	95	101	-	-	196
LGPS pension surplus/(deficit)	-	(3,726)	-	-	(3,726)
	975	(3,621)	36,682	-	34,036

The above net assets includes £1,080k (2013: £1,733k) that was transferred as cash. All properties transferred from local authorities were transferred on 125 year lease agreements.

Northern Education Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

36 PRIOR PERIOD ADJUSTMENT

Both North Shore Academy and Kearsley Academy moved into new premises in April 2013 but the buildings were still within their defect period. Following accounting guidance at the time, the property was not recognised on the Balance Sheet. However, latest guidance now dictates that as the Academies are using the premises for the long term benefit then the properties should be recognised on the Balance Sheet. This change of accounting policy has a material impact on the financial statements and a prior period adjustment has been made to reflect this.

The impact of the prior period adjustment on the 2013 Balance Sheet comparatives has been to increase tangible fixed assets by £30,597k, to increase the restricted fixed asset fund by £30,597k, as demonstrated in notes 14 and 20 respectively. This comprised the latest valuation of the properties as at April 2013 of £31,315k and the associated depreciation charge for the remaining 4 months of the accounting period of £359k.

	As at 1 September 2013 £'000	Prior period adjustment £'000	As restated at 1 September 2013 £'000
Total Fixed assets			
Cost 1 September 2013	25,346	31,315	56,661
Depreciation 1 September 2013	429	359	788
Net book value 31 August 2013	24,917	30,956	55,873

37 AGENCY ARRANGEMENTS

The Academy Trust administers the disbursement of the new discretionary support for learners, 16-19 Bursary Funds, on behalf of the EFA. In the year it received £18k and disbursed £17k. The Academy Trust retained a beneficial interest in individual transactions such that £1k has been recognised in income and expenditure in the statement of financial activities.