

**The Gosforth Federated Academies Limited**  
(a company limited by guarantee and not having a share  
capital)

**Report of the Management Trustees and  
Financial Statements**  
Company number 07431423  
31 August 2012



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## **Report of the Management Trustees**

### **Reference and administrative details**

Registered Company number 07431423

### **Management Trustees**

Prof Mike Goodfellow  
Mr David Gregory  
Mrs Judy Storey

### **Governing Body**

Mr Chris Bell  
Mrs Sue Collins  
Mrs Alison Craddock  
Mr John Hall  
Mrs Margaret Hayes  
Ms Alison Jelf  
Mrs Lesley Malthouse  
Mr Chris Miller  
Mrs Gillian Milne  
Mr Chris Nicholson  
Mr Geoff Norris  
Cllr Jackie Slesenger  
Mr George Snaith  
Dr Iqbal Syed  
Mr John Thompson  
Mrs Elaine Tolley  
Mr David Vero  
Revd Rebecca Watts

### **Company Secretary**

Mrs Christine Edwardson

### **Chief Executive Officer**

Mr Hubert Robinson

### **Registered Office**

Gosforth Academy  
Knightsbridge  
Great North Road  
Newcastle upon Tyne  
NE3 2JH

## **Report of the Management Trustees** *(continued)*

### **Bankers**

HSBC Bank plc  
Maingate  
Kingsway North  
Team Valley Trading Estate  
Gateshead  
NE11 0BE

### **Solicitors**

Watson Burton  
1 St James' Gate  
Newcastle upon Tyne  
Tyne & Wear  
NE99 1YQ

### **Auditors**

KPMG LLP  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

### **Insurance brokers**

Zurich Municipal  
Mountbatten House  
Grosvenor Square  
Southampton  
SO15 2RP

## **Governors' Report**

The governors present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2012

### **Structure, Governance and Management**

#### **Constitution**

The Gosforth Federated Academies Limited is a company limited by guarantee and an exempt charity governed by its memorandum and articles of association. The Academy was incorporated on 5 November 2010 and commenced operating on 1 December 2010. The articles of association require the members of the charitable company to appoint at least three governors to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy. The Academy has entered into a funding agreement with the Department for Education which provides the framework within which the Academy must operate.

The governors act as trustees for the Charitable activities of The Gosforth Federated Academies Limited and are also the directors of the Charitable Company for the purposes of company law. The Charitable company is known as Gosforth Federated Academies Limited.

The Charitable Company incorporates Gosforth Academy and Gosforth Junior High Academy.

Details of the governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

#### **Members' Liability**

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

#### **Governors' Indemnities**

Every governor of the Academy Trust shall be indemnified out of the assets of the Academy Trust against any liability incurred by them in that 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 appointment 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 Academy Trust.

#### **Principal Activities**

The principal activity of Gosforth Academy is to provide education for pupils of different abilities between the ages of 13 and 18.

The principal activity of Gosforth Junior High Academy is to provide education for pupils of different abilities between the ages of 9 and 13.

## **Governors' Report** *(continued)*

### **Method of Recruitment and Appointment or Election of Governors**

The Trustees are responsible for the appointment of Governors. The Trustees agreed to appoint Governors in line with the predecessor school on conversion. The current composition is 12 Community Governors, 4 Parent Governors, 5 staff Governors, 1 Headteacher. Community Governors have a term of office of 2 years, Parent Governors are appointed in accordance with the current Key Stage of their child at their current school, Staff Governors have a term of office of 4 years. Elections are held for Parent Governor vacancies from within the school community. Elections are held for Staff Governor vacancies from within the staff group. The Trustees are responsible for the appointment of Community Governors.

### **Policies and Procedures Adopted for the Induction and Training of Governors**

Governors receive a booklet detailing the Governor Training Programme together with a termly copy of the Newcastle LA "Governnews" which highlights current changes in legislation together with any CPD opportunities during the next term. There is a whole programme of training available which includes induction for new governors, Headteacher performance and reviewer training, safer recruitment and the role of governors in monitoring the outcomes of pupils with special education needs and disabilities and many more opportunities. The service also provides bespoke training and Governors have participated in a training session for managing pupil discipline committee meetings.

With the exception of the newly appointed governors all of the current Governing Body were members from the predecessor school and therefore are all highly experienced in school governance. The Board has a designated member responsible for safeguarding and any governor involved in staff appointments have successfully completed safeguarding training provided by Lighthouse Professional Development.

There is a service level agreement in place with Newcastle City Council to provide training services to the Governing Body. The Board has designated a member responsible for Governor training.

### **Organisational Structure**

A flat structure with distributed leadership based upon Dexon PLC industrial model. By using associate leaders in training posts the capacity of the organisation is increased. The current management team consists of the following posts with identified responsibilities:

Principal and Accounting Officer  
Director of Post 16  
Director of Communications  
Director of Finance & Support Services  
Director of Main School  
Director of Performance  
Director of Human Resources  
Director of Gosforth Junior High Academy  
Director of Curriculum  
Director of Monitoring & Evaluation

The Governing Body handbook sets out the delegated responsibilities and terms of reference for the Governing Body and all committees. The Governing Body decision planner is reviewed and approved annually.

Operational management of the Academy is the role of the Principal and the Senior Leadership Team. The senior leadership team comprises the Principal, Director of Finance and Support Services and eight directors. The wider Leadership Team extends to six Assistant Directors with various delegated responsibilities. The Principal has the role of accounting Officer.

## **Governors' Report** *(continued)*

### **Risk management**

The Academy Board considers risk and continues to work alongside the Management in creating a robust system which will minimise the academy's exposure to risk identified. The Trustees continue too assess the major risks to which the Charity is exposed to, in order to be satisfied that systems are in place to mitigate exposure to the major risks.

A Risk Management Policy and Risk Management (Addendum) have been approved by the Trustees and will be reviewed on an annual basis. The purpose of the policy is to identify potential risks and ways of managing them.

The principal risks identified within the policy include

#### **Risks to Property and Person**

- Property assets including site, existing buildings, buildings under construction, plant, furniture, equipment and materials are at risk from fire and water damage, subsidence, explosion and theft
- Data such as staff, student and financial records also represent valuable property risks
- Health & Safety risks to staff, students and others who use the school premises. This includes structural failure, threats to physical safety and accidents (e.g. caused by wet floors and unattended equipment) can expose the Academy to liability

#### **External risks and uncertainties which face the Academy**

- Uncertainty around academy budget allocations and the implementation of a National Funding Formula
- Political uncertainties and rate and range of educational innovations
- Capacity issues caused by oversubscription

Effective risk management is achieved by three types of action

- Transferring the risk by means of insurance. The Academy's insurance arrangements have been reviewed in accordance with the Department for Education's National Framework
- Reducing the probability of a risk by completion and regular review of a Risk Register. Also the Academy has entered into a service level agreement with Newcastle City Council, Health & Safety Department, who provide support in risk management in particular for security and safeguarding
- Limiting the impact of a risk by developing contingency plans for particular risks and by implementing the Academy's Critical Incident Procedure

### **Objectives and Activities**

#### **Objects and Aims**

Students completing Key Stage 2 examinations at the Junior High Academy should be aiming to make the required levels of progress that lead to further academic success.

The Academy expects the highest standards from all of our staff and students. The Academy believes that the current outstanding grades given to both Academies in the most recent Ofsted inspections will only be maintained if we all accept the challenge to develop and the students strive to excel in all that they do.

Curriculum development linked to continued professional development are the major strands used to ensure that our objectives and aims are achieved. We also aim to serve our broader community by using our sports and social facilities to enhance community usage.

## **Governors' Report** *(continued)*

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

The praise code underpins all issues regarding behaviour and effort. The code has proven itself to be both effective and popular. It is managed by the Director of Main School.

Our Curriculum Director is developing a 5 year action plan that will ensure that progress is made. The CPD is linked so that it will support Curriculum Development.

Our bid to become a Teaching School is a key area for strategic development as is our bid to manage the Gosforth Civic Hall. The hall would have dual use as an educational site for Performing Arts and as a community hub.

We are hoping to secure capital funding to develop teaching space and thus resolve some of our capacity issues.

### **Public Benefit**

The Academy Trust governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

A successful Academy, working in harmony with its community, is the cornerstone of our strategic planning. The activities that are undertaken by the Charity and summarised in this report are for the benefit of the public.

The development of our "Sport@Gosforth" community sports centre is a strategy that ensures community involvement and a possible funding stream for ICT development.

The Gosforth Civic Hall would have dual use as an educational site for Performing Arts and as a community hub.

### **Achievements and performance**

This has been another record year for Gosforth Federated Academies with the best exam results recorded.

Key Stage 2 Level 4 +		Target
English	80%	82%
Maths	84%	84%

#### **Key Stage 3 Level 5 +**

English	85%
Maths	90%
Science	86%

Note, no targets are set for this key stage.

Key Stage 4		Target
5 A*-C	95%	84%
5 A*-C E/M	70%	68%
E Bacc	34%	34%



## Governors' Report *(continued)*

### Achievements and performance *(continued)*

Key Stage 5 A2 grades

A*	9%
A*/A	26%
A*/B	50%
A*/C	73%
A*/E	99%

Note, no targets are set for this key stage

### Going concern

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

### Key Financial Performance Indicators

#### Student Numbers during the year

	Gosforth Academy	Gosforth Junior Academy	High	Total for Gosforth Federated Academies Ltd
Autumn 2011	1650	400		2050
Spring 2012	1639	410		2049
Summer 2012	1621	411		2032
<b>Average during the year (to be used in KPI calculations)</b>	<b>1637</b>	<b>407</b>		<b>2044</b>

		2011/12	2010/11 (Annualised)	Target
<b>Income</b>				
<b>Income per Student</b>				
Total Income/Average Number of Students	£12,806,000/2044	£6,265	£5,718	£6,350
<b>GAG</b>				
<b>GAG Income per Student</b>				
Total GAG/Average Number of Students	£11,379,000/2044	£5,567	£4,319	£5,176
<b>GAG Income against Total Income</b>				
GAG Income/Total Income	£11,379,000/£12,806,000	89%	76%	80%
<b>GAG Carry Forward</b>				
		5.3%	2.7%	5.9%

## Governors' Report *(continued)*

### Going concern *(continued)*

#### Expenditure

		2011/12	2010/11 (Annualised)	Target
<b>Revenue Expenditure per Student</b>				
Total Expenditure/Average Number of Students	£12,201,000/2044	£5,969	£4,249	£5,950
<b>Capital Expenditure per Student</b>				
Total Capital Expenditure/Average Number of Students	£709,000/2044	£347	£144	£390
<b>Support Costs/Direct Costs</b>				
Total Support Costs/Total Direct Costs	£2,659,000/£9,431,000	28%	24.3%	25%

#### Staff Costs/Ratios

<b>Revenue Income against Total Salary Expenditure</b>				
Total Salaries/Total Income	£8,732,000/£12,806,000	68%	66%	70%
<b>Staff Costs per Student</b>				
Total Salaries/Average Number of Students	£8,732,000/2044	£4,272	£3,778	£4,126
<b>Pupil: Teacher Ratio</b>				
Average Number of Students/Average Number of Teachers	2044/127	16.1	16.5.1	15.2.1

#### Net Funds

Total		£605,000		£800,000
		0	£1,648,000	
Net Funds/Income	£605,000/£12,806,000	5%	16.3%	10%

#### Current Ratio

Current Assets/Creditors (amounts falling due within one year)	£2,783,000/£1,594,000	1.75.1	1.76.1	2.1
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#### Financial review

Most of the Academy's income is obtained from the EFA (formerly YPLA) in the form of the recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year to 31 August 2012 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities on page 20. Details of all grants and income received can be found in note 6.

## **Governors' Report** *(continued)*

### **Financial review** *(continued)*

During the period to 31 August 2012 expenditure amounting to £12,201,000 was incurred or accrued. This was offset entirely by grants receivable from the EFA, other small Local Authority grants, interest from investments and small elements of other income (including premises lettings and sports facilities).

The Academy held fund balances at 31 August 2012 of £35,971,000 comprising £35,792,000 restricted fixed asset funds and restricted non fixed asset funds of £(785,000) including the pension deficit of £1,390,000, together with unrestricted reserves of £964,000.

During the year the Trustees adopted various policies in relation to financial management including Accounting, Governors Allowance, Investment & Reserves, Lettings and Risk Management.

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

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

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

The Academy is funded via the EFA and the majority of funding is based on pupil numbers. In most year groups the Academy is full or oversubscribed which alleviates the main financial risk. The Junior High Academy has a small number of places in Years 5 and 6 however the numbers have been growing steadily each year and it is anticipated that within the next couple of years these year groups will also be at capacity. At Gosforth Academy we have the largest school based 6<sup>th</sup> form in the North East and although a number of students join the school at this stage the numbers continue to be very healthy.

The Academy is not exposed to large debtors due to the nature of the business and this is therefore not a cause for concern.

On conversion the Academy had to accept the historic pension deficit of the Local Government Pension Scheme (LGPS). The Academy is working towards alleviating this deficit however is reliant on the annual assessment which confirms the performance of the fund.

#### **Reserves policy**

All funding has come via grants received both from the EFA (formerly YPLA) and the Local Authority, with the exception of interest receivable on the bank deposit account fund. There were also small elements of other income including lettings and sports facility income. The Trustees intend to build up a prudent level of reserves over a period of time in accordance with the Investment & Reserves Policy which is reviewed annually.

The target level of reserves is considered as part of the review of the Investment & Reserves Policy and the target level of reserves is set at £2,256,000. The process for making transfers to reserves is explained within the policy and includes the approval of any transfer between funds by the Finance & Resources Committee following a review of the Management Reports, Cashflow Forecast and Investments Progress Report. An appropriate level of reserve is being built up by controlling the expenditure at the academy, however during this financial year the Trustees designated some of these funds towards a £600K capital building works project involving the replacement and upgrade of electrical services & fire doors. The level of reserves at 31<sup>st</sup> August 2012 stands at £964K, however £265K was withdrawn from the reserves account during the year in order to contribute towards payment for the capital building works.

It is anticipated that Trustees will decide to designate funds from reserves to future capital projects including the upgrade of the windows to one of the original blocks.

## **Governors' Report** *(continued)*

### **Investment policy**

The Trust Board have approved an Investment & Reserves Policy in relation to the investment of surplus funds and this is reviewed on an annual basis

The aim of this policy is to ensure that funds which the Federated Academy does not immediately need to cover anticipated expenditure are invested in such a way as to maximise income but without risk

Our aim is to spend the public monies with which we are entrusted for the direct education benefit of students as soon as is prudent. The Federated Academy does not consider the investment of surplus funds as a primary activity, rather it is the result of good practice as and when circumstances allow

The purpose of the Investment Policy will be

- To ensure adequate cash balances are maintained in the current account to cover day to day working capital requirements
- To ensure there is no risk of loss in capital value of any cash funds invested
- To protect the capital value of any invested funds against inflation
- To optimise returns on invested funds

The guidelines incorporated within the Investment Policy are as follows

Regular cash flow reports are to be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding creditors that are due for payment. Where the cash flow identifies a base level of cash funds that will be surplus to requirements these may be invested following approval from the Finance & Resources Committee. Approval must be signed off and recorded in the committee minutes. In making decisions regarding where and how any surplus funds should be invested, due regard will be given to risk.

Currently, surplus funds are invested with the existing banker HSBC in an instant access deposit account. One account is set up for each Academy. Interest is received on a quarterly basis. The Finance & Resources Committee will receive a report at each meeting as to the performance of the investment.

The aim is to reach an appropriate level of reserve to allow the management and the Finance & Resources Committee to explore alternative investment possibilities with criteria being

- Investment with a different counterparty (in order to reduce counterparty risk)
- Consideration of whether there should be a maximum level of investment with a single approved counterparty, and
- A longer term investment with a higher return (but not high risk investments which are not in the best interests of the Federated Academy)

### **Plans for future periods**

This is a very dynamic period in education. Government led changes to the examination system, school organisation and accountability. We have several planned changes that will help the Academy through this interesting period.

- Teaching School status – Application form complete and awaiting outcome of selection process
- Gosforth Civic Hall – lease partnership with LA for seven year period
- Caretakers House – conversion to become training facility
- Capital bid (to be completed by 18<sup>th</sup> December 2012) to secure extra places needed to accommodate post 16 numbers post RPA

## **Governors' Report** *(continued)*

### **Auditor**

In so far as the governors are aware

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

Approved by order of the members of the Governing Body on 19 December 2012 and signed on its behalf by



**Professor Mike Goodfellow**  
*Chairman of the Management Trustees*

## Governors' Statement

### Scope of Responsibility

As governors, we acknowledge we have overall responsibility for ensuring that the Gosforth Federated Academies 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 Governing Body has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Gosforth Federated Academies and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Management Trustees' Responsibilities. The governing body has formally met 6 times during the year. The Finance and Audit Committee has formally met 3 times during the year. Attendance during the year at meetings were as follows:

#### Audit of Governors attendance:

Surname	Main Board		Finance and Audit Committee	
	Meetings Attended	Out of a possible	Meetings Attended	Out of a possible
G Milne	3	6		
S Collins	6	6		
L Malthouse	5	6		
J Slesenger	2	6		
C Nicholson	1	6		
J Thompson	1	6		
A Craddock	4	6		
D Gregory	5	6	3	3
M Hayes	3	6		
C Miller	5	6	3	3
E Tolley	5	6		
J Hall	4	6	3	3
A Jelf	5	6		
J Storey	4	6	3	3
I Syed	4	6		
M Goodfellow	6	6		
G Norris	4	6	1	3
C Bell	3	6	1	3
G Snaith	2	6		
RH Watts	4	5	2	2
D Vero	2	5	2	2

## **Governors' Statement** *(continued)*

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Gosforth Federated Academies for the period ended 31 August 2012 and up to the date of the annual report and financial statements.

### **Capacity to handle Risk**

The Governing Body has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been place for the period ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

### **The Risk and Control Framework**

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

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body
- Regular reviews by the Finance and General Purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- Setting targets to measure financial and other performance,
- Clearly defined purchasing (asset purchase or capital investment) guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

The Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Hubert Robinson as Responsible Officer (RO), with KPMG, a recognised accountancy firm, performing the Responsible Officer checks on his behalf. The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the RO will report to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

## **Governors' Statement** *(continued)*

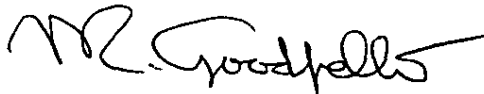
### **Review of Effectiveness**

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

- The work of the Responsible Officer
- The work of the external auditor
- The financial management and governance self assessment process
- The work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Governors' Finance and Resources 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 Governing Body on 19 December 2012 and signed on its behalf by



**Professor Mike Goodfellow**  
*Chairman of the Management Trustees*



**Mr H Robinson**  
*Accounting Officer*



## Statement on Regularity, Propriety and Compliance

As accounting officer of The Gosforth Federated Academies Limited, I have considered my responsibility to notify the Academy Trust Governing Body 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 Academy Trust Governing Body 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 no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



Mr H Robinson  
Accounting officer

19 December 2012

## Statement of Management Trustees' Responsibilities

The Management Trustees (who act as trustees for charitable activities of The Gosforth Federated Academies Limited and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

Company law requires the Management Trustees to prepare financial statements for each financial year. Under company law the Management 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 Management 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 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 Management 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 Management 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 Management 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.



**KPMG LLP**

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

**Independent Auditor's Report to the members of The Gosforth Federated Academies Limited**

We have audited the financial statements of The Gosforth Federated Academies Limited for the year ended 31 August 2012 set out on pages 20 to 41. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Charitable Company's (the Academy's) members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinions in relation to regularity and compliance with the Accounts Direction 2011/12 issued by the Education Funding Agency ("EFA"), on terms that have been agreed. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and in respect of the separate opinions in relation to regularity and compliance with the Accounts Direction 2011/12 issued by the EFA, those matters which we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Management Trustees and auditor**

As explained more fully in the Statement of Responsibilities set out on page 16, the Management Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Academy's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Management Trustees, and, the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## **Independent Auditor's Report to the members of The Gosforth Federated Academies Limited** *(continued)*

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Academy's affairs at 31 August 2012, and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with UK 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 2011/12 issued by the EFA

### **Opinion on regularity**

In our opinion, in all material respects, grants from the EFA have been applied by the Academy for the purposes intended

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

In our opinion the information given in the Trustees Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

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

- adequate accounting records have not been kept by the Academy, 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



**M R Thompson, (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside House  
Newcastle upon Tyne  
NE1 3DX

19 December 2012

**Independent Accountant's Report on Regularity to the Governing Body of The Gosforth Federated Academies Limited and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 15 December 2011 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by The Gosforth Federated Academies during the period 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the Governing Body and the EFA. Our review work has been undertaken so that we might state to the Governing Body and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body and the EFA, for our review work, for this report, or for the opinion we have formed.

**Respective responsibilities of the governing body and reporting accountant**

The Governing Body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the guidance set out in the EFA's Financial Handbook and the Academies Accounts Direction 2011/12. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Basis of opinion**

We conducted our review in accordance with the Academies Handbook and the Academies Accounts Direction 2011/12 issued by the EFA.

**Opinion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2011 to 31 August 2012 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



19 December 2012

**M R Thompson,**  
**for and on behalf of KPMG LLP, Reporting Accountant**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

**Statement of Financial Activities for the year ended 31 August 2012**  
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total 2012 £000	Total 2011 £000
<b>Incoming resources</b>						
Incoming resources from generated funds						
Voluntary income	3	42	-	82	124	37,146
Activities for generating funds	4	581	77	-	658	260
Investment income	5	3	-	-	3	1
Incoming resources from charitable activities						
Funding for the Academy's educational activities	6	-	12,021	-	12,021	8,423
<b>Total incoming resources</b>		<b>626</b>	<b>12,098</b>	<b>82</b>	<b>12,806</b>	<b>45,830</b>
<b>Resources expended</b>						
Costs of generating funds						
Fundraising trading		51	-	-	51	31
Charitable activities						
Academy's educational operations	8	353	11,405	332	12,090	8,945
Governance costs	9	-	40	-	40	38
Other finance costs	27	-	20	-	20	10
<b>Total resources expended</b>	<b>7</b>	<b>404</b>	<b>11,465</b>	<b>332</b>	<b>12,201</b>	<b>9,024</b>
<b>Net incoming resources before transfers</b>		<b>222</b>	<b>633</b>	<b>(250)</b>	<b>605</b>	<b>36,806</b>
Gross transfers between funds	17	980	(1,183)	203	-	-
<b>Net incoming resources for the year</b>		<b>1,202</b>	<b>(550)</b>	<b>(47)</b>	<b>605</b>	<b>36,806</b>
<b>Other recognised gains and losses</b>						
Actuarial losses on defined benefit pension schemes	17, 27	-	(440)	-	(440)	(70)
Pension deficit recognised on transfer	27	-	-	-	-	(930)
<b>Net movement in funds</b>		<b>1,202</b>	<b>(990)</b>	<b>(47)</b>	<b>165</b>	<b>35,806</b>
<b>Reconciliation of funds</b>						
Funds brought forward at 1 September/5 November		(238)	205	35,839	35,806	-
<b>Total funds carried forward at 31 August 2012</b>		<b>964</b>	<b>(785)</b>	<b>35,792</b>	<b>35,971</b>	<b>35,806</b>

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

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

**Balance Sheet**  
*at 31 August 2012*

	<i>Note</i>	2012 £000	2011 £000	£000
<b>Fixed assets</b>				
Tangible assets	13	36,172		35,795
		<hr/>		<hr/>
<b>Current assets</b>				
Stocks	14	66	55	
Debtors	15	614	599	
Cash at bank and in hand		2,103	1,648	
		<hr/>	<hr/>	
<b>Creditors: amounts falling due within one year</b>	16	2,783 (1,594)	2,302 (1,311)	
		<hr/>	<hr/>	
<b>Net current assets</b>		1,189		991
		<hr/>		<hr/>
<b>Total assets less current liabilities</b>		37,361		36,786
<b>Net assets excluding pension liability</b>		37,361		36,786
Pension scheme liability	27	(1,390)		(980)
		<hr/>		<hr/>
<b>Net assets including pension liability</b>		35,971		35,806
		<hr/>		<hr/>
<b>Funds of the Academy</b>				
<b>Restricted income funds</b>				
Fixed asset funds	17	35,792		35,839
General funds	17	605		205
Pension reserve	17	(1,390)		-
		<hr/>		<hr/>
<b>Total restricted funds</b>		35,007		36,044
		<hr/>		<hr/>
<b>Unrestricted income funds</b>	17			
General funds		964		(238)
		<hr/>		<hr/>
<b>Total unrestricted funds</b>		964		(238)
		<hr/>		<hr/>
<b>Total funds</b>		35,971		35,806
		<hr/>		<hr/>

These financial statements on pages 20 to 41 were approved by the Management Trustees on 19 December 2012 and were signed on their behalf by



**Professor Mike Goodfellow**  
*Chairman of the Management Trustees*

Company number 07431423

**Cash Flow Statement**  
*for the year ended 31 August 2012*

	<i>Note</i>	<b>2012</b> <b>£000</b>	2011 £000
<b>Net cash inflow from operating activities</b>	<i>21</i>	<b>1,079</b>	1,908
Returns on investments and servicing of finance	<i>22</i>	<b>3</b>	1
Capital expenditure	<i>23</i>	<b>(627)</b>	(261)
		<hr/>	<hr/>
<b>Increase in cash in the period</b>	<i>24</i>	<b>455</b>	1,648
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September/5 November		<b>1,648</b>	-
		<hr/>	<hr/>
<b>Net funds at 31 August 2012</b>		<b>2,103</b>	1,648
		<hr/>	<hr/>



## Notes

*(forming part of the financial statements)*

### 1 Statement of accounting policies

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

The 2011 figures in these financial statements cover the 299 day period from 5 November 2010 to 31 August 2011. For convenience this period is referred to as 2011 in these financial statements.

#### *Going concern*

The governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of a period of 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**

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

- **Sponsorship**

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, where there is certainty of receipt.

- **Donations**

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

- **Other income**

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

- **Donated Services and gifts in kind**

The value of donated services and gifts in kind provided to the Academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's policies.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Incoming resources (continued)*

- **Investment income – interest receivable**

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

- **Activities for generating funds**

Income is received from letting out the sports hall and sports pitches to private organisations outside school time

This is accounted for on a recoverable basis

#### *Resources expended*

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

- **Costs of generating funds**

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds

- **Charitable activities**

These are costs incurred on the Academy educational operations

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT.

#### *Tangible fixed assets*

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

## Notes (continued)

### 1 Accounting policies (continued)

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a reducing balance basis over its expected useful lives as follows

Long leasehold buildings	125 years
Fixtures, fittings & Equipment	5 years
ICT equipment	4 years

All individual assets with a cost of less than £1,000 are written down in the period they are purchased

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

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

#### *Leased assets*

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

#### *Investments*

The Academy has no investments other than in UK bank deposit accounts or on the UK Money Market

#### *Stock*

Unsold stocks are valued at the lower of cost or net realisable value

#### *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 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes

#### *Pensions benefits*

Retirement benefits to employees of the Academy 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'), and the assets are held separately from those of the Academy

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 in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi employer scheme and the Academy 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

## Notes (continued)

### 1 Accounting policies (continued)

#### Pensions benefits (continued)

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

#### Fund accounting

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

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

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

### 2 General Annual Grant

	2012 £000	2012 £000	2011 £000	2011 £000
	Gosforth Academy	Gosforth Junior High Academy	Gosforth Academy	Gosforth Junior High Academy
<b>A. Results and carry forward for the period</b>				
GAG brought forward from previous year	170	35	-	-
GAG allocation for current period	9,237	2,142	6,368	1,277
<b>Total GAG available to spend</b>	<b>9,407</b>	<b>2,177</b>	<b>6,368</b>	<b>1,277</b>
Recurrent expenditure from GAG	8,788	1,988	6,198	1,242
Fixed assets purchased from GAG	203	-	-	-
<b>Total expenditure from GAG</b>	<b>8,991</b>	<b>1,988</b>	<b>6,198</b>	<b>1,242</b>
<b>GAG carried forward to next period</b>	<b>416</b>	<b>189</b>	<b>170</b>	<b>35</b>
Maximum permitted GAG carry forward at end of current period (12% of allocation for current period)	1,108	257	764	153
<b>GAG to surrender to DfE</b>	<b>(692)</b>	<b>(68)</b>	<b>(594)</b>	<b>(118)</b>
(12% rule breached if result is positive)	No breach	No breach	No breach	No breach

#### B. Use of GAG brought forward from previous year for recurrent purposes.

(Of the amount carried forward each year, a maximum of 2% of GAG can be used for recurrent purposes. Any balance, up to a maximum of 12% can only be used for capital purposes.)

## Notes (continued)

### 2 General Annual Grant (continued)

	2012 £000	2012 £000	2011 £000	2011 £000
Recurrent expenditure from GAG in current year	8,788	1,988	6,198	1,242
GAG allocation for current year	(9,237)	(2,142)	(6,368)	(1,277)
GAG allocation for previous year x 2%	(127)	(26)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
GAG brought forward from previous year in excess of 2%, used on recurrent expenditure in current year	(576)	(180)	(170)	(35)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(2% rule breached if result is positive)	No breach	No breach	No breach	No breach
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 3 Voluntary income

	Unrestricted funds £000	Restricted funds £000	Total 2012 £000	Total 2011 £000
Transfer of balances from predecessor school	-	-	-	1,264
Academy premises – gift in kind donation from LA	-	-	-	35,709
Other donations	42	-	42	173
Capital grants	-	82	82	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	42	82	124	37,146
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 4 Activities for generating funds

	Unrestricted funds £000	Restricted funds £000	Total 2012 £000	Total 2011 £000
Hire of facilities	292	-	292	106
Uniform sales	73	-	73	148
Exams income	24	-	24	-
Trip income	192	-	192	-
Other income	-	77	77	6
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	581	77	658	260
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 5 Investment income

	Unrestricted funds £000	Restricted funds £000	Total 2012 £000	Total 2011 £000
Short term deposits	3	-	3	1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Funding for the Academy's educational operations

	Unrestricted funds £000	Restricted funds non fixed assets £000	Restricted fixed assets funds £000	Total 2012 £000	Total 2011 £000
<b>DfE/EFA revenue grants</b>					
General Annual Grant (GAG) (note 2)	-	11,379	-	11,379	7,645
Other DfE/EFA grants	-	468	-	468	-
	<u>-</u>	<u>11,847</u>	<u>-</u>	<u>11,847</u>	<u>7,645</u>
<b>Other Government Grants</b>					
School Standards Funds	-	-	-	-	639
Special Educational Projects	-	-	-	-	95
Local Authority grants	-	174	-	174	-
	<u>-</u>	<u>174</u>	<u>-</u>	<u>174</u>	<u>734</u>
<b>DfE/EFA capital grant</b>					
Academy main building grants	-	-	-	-	44
	<u>-</u>	<u>12,021</u>	<u>-</u>	<u>12,021</u>	<u>8,423</u>

### 7 Resources expended

	Staff costs £000	Non pay expenditure Premises £000	Other costs £000	Total 2012 £000	Total 2011 £000
Costs of activities for generating funds	-	-	51	51	-
Academy's educational operations,					
Direct costs	8,342	-	1,089	9,431	7,196
Allocated support costs	628	899	1,132	2,659	1,780
	<u>8,970</u>	<u>899</u>	<u>2,272</u>	<u>12,141</u>	<u>8,976</u>
Governance costs including allocated support costs	-	-	40	40	38
Other finance costs	-	-	20	20	10
	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>	<u>10</u>
<b>Total resources expended</b>	<u>8,970</u>	<u>899</u>	<u>2,332</u>	<u>12,201</u>	<u>9,024</u>

## Notes (continued)

### 7 Resources expended (continued)

Incoming/outgoing resources for the year include

	2012 £000	2011 £000
Operating leases	55	55
Fees payable to auditor – audit	8	8
- other services	3	2
	<u>66</u>	<u>65</u>

### 8 Charitable activities – Academy's educational operations

	Unrestricted funds £000	Restricted funds £000	Total 2012 £000	Total 2011 £000
<b>Direct costs</b>				
Teaching and educational support staff costs	-	8,342	8,342	6,256
Educational supplies	53	340	393	403
Examination fees	-	294	294	287
Staff development	2	67	69	66
Other direct costs	24	134	158	184
Trip costs	165	10	175	-
	<u>244</u>	<u>9,187</u>	<u>9,431</u>	<u>7,196</u>
<b>Allocated support costs</b>				
Support staff costs	-	628	628	533
Depreciation	-	332	332	219
Recruitment and support	-	27	27	20
Maintenance of premises and equipment	45	522	567	543
Cleaning	40	296	336	22
Insurance	13	92	105	104
Security and transport	-	32	32	13
Catering	-	73	73	23
Bank interest and charges	1	1	2	2
Other support costs	1	478	479	248
Rent and rates	9	69	78	22
	<u>109</u>	<u>2,550</u>	<u>2,659</u>	<u>1,749</u>
	<u>353</u>	<u>11,737</u>	<u>12,090</u>	<u>8,945</u>

## Notes (continued)

### 9 Governance costs

	2012 £000	2011 £000
Auditor's remuneration audit of financial statements	8	8
Auditor's remuneration other services	3	2
Legal fees for Academy conversion process	-	28
Legal and professional fees	17	-
Other accounting services	12	-
	<u>40</u>	<u>38</u>

Fees paid to the auditors in the period comprise £8,250 (2011 £7,500) in relation to the audit of the financial statements, £750 (2011 £750) in relation to the Teachers Pension Agency audit and £2,250 (2011 £2,250) in relation to the work for Responsible Officer

### 10 Staff costs and related party transactions

	2012 £000	2011 £000
Wages and salaries	7,297	5,606
Social security costs	503	409
Other pension costs	932	672
	<u>8,732</u>	<u>6,687</u>
Supply teacher costs	182	104
Compensation payments	56	-
	<u>238</u>	<u>104</u>
Average number of employees during the period	2012	2011
Teachers	127	129
Administration and support	108	97
Management	11	11
	<u>246</u>	<u>237</u>



## Notes (continued)

### 10 Staff costs and related party transactions (continued)

No Management Trustee received any remuneration or reimbursement of expenses during the period

Nine employees (2011 eleven) earned more than £60,000 per annum (including taxable benefits but excluding employers' pension contributions) during the period ended 31 August 2012. The total emoluments of these employees were in the following ranges

	2012 No	2011 No
£60,000 – £70,000	7	7
£70,001 – £80,000	-	2
£80,001 – £90,000	1	-
£100,001 – £110,000	-	1
£130,001 – £140,000	1	1
	<hr/> 9	<hr/> 11

Eight (2011 Ten) of the above employees earning more than £60,000 per annum participated in the Teachers' Pension Scheme, a defined benefit scheme. During the period ended 31 August 2012, the pension contributions for these staff amounted to £85,178 (2011 £34,460). One (2011 one) employee participated in the Tyne and Wear Local Government Pension Scheme. During the period ended 31 August 2012, the pension contributions for this employee amounted to £11,823 (2011 £3,968).

### 11 Governors remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, including expenses, from the Academy in respect of their role as governors. The value of the Principal's remuneration was £137,549 in 2012 (2011 £100,826). The value of other staff governor's remuneration was £39,527 (2011 £32,308), other staff governors remuneration was £21,483 (2011 £28,329), other staff governor's remuneration was £37,005 (2011 £24,987), other staff governor's remuneration was £39,183 (2011 £26,227), other staff governor's remuneration was £19,053 (2011 £12,751).

During the year ended 31 August 2012, no expenses were reimbursed to governors.

Other related party transactions involving the trustees are set out in note 28.

### 12 Governors' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the period ended 31 August 2012 was £0.01 (2011 £0.01).

## Notes (continued)

### 13 Tangible fixed assets

	Leasehold land and buildings £000	Furniture and equipment £000	Computer equipment £000	Total £000
<b>Cost</b>				
At beginning of year	35,858	62	94	36,014
Additions	618	40	51	709
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	36,476	102	145	36,723
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	214	4	1	219
Charge for year	287	16	29	332
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	501	20	30	551
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 August 2012	35,975	82	115	36,172
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2011	35,644	58	93	35,795
	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings occupied by the Academy are leased from the Local Authority on a 125 year peppercorn lease. The Trustees are of the opinion that the risks and rewards associated have been substantially transferred to the Academy and as such the land and buildings have been capitalised, with a corresponding entry shown in the Statement of Financial Activities, as donated income. The valuation basis has been estimated by reference to the expected rebuild costs and reinstatement costs as surveyed for insurance purposes.

The trustees are satisfied that this basis most closely reflects an appropriate fair value for the asset.

On formation of the Academy, fixtures, fittings and equipment were transferred from the predecessor school. The trustees have been unable to obtain a valuation from the local authority in respect of these assets, however they believe that any value placed on them would not be significant. The costs of obtaining a professional valuation would be prohibitive and any valuation would be subjective, therefore the trustees have taken a view that the assets should not be included in these accounts.

### 14 Stocks

	2012 £000	2011 £000
Clothing	66	55
	<hr/>	<hr/>

**Notes (continued)**

**15 Debtors**

	2012 £000	2011 £000
Trade debtors	27	88
Other debtors	161	44
Prepayments and accrued income	346	315
VAT recoverable	80	152
	<u>614</u>	<u>599</u>

**16 Creditors: amounts falling due within one year**

	2012 £000	2012 £000
Trade creditors	537	377
Other taxation and social security	178	336
Other creditors	80	61
Accruals and deferred income	799	537
	<u>1,594</u>	<u>1,311</u>
<b>Deferred income</b>		
Deferred income at 1 September/5 November	252	-
Resources deferred in year/period	26	252
Amounts released from prior years	(252)	-
	<u>26</u>	<u>252</u>

Deferred income is in respect of grants received from the EFA which cover the year to 30 November 2012 therefore the appropriate proportion of this funding has been deferred

## Notes (continued)

### 17 Funds

	Balance at 31 August 2011 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2012 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	205	11,379	(10,776)	(203)	605
Other DfE/EFA grants	-	468	(468)	-	-
Pension reserve	-	-	30	(1,420)	(1,390)
Local authority grants	-	174	(174)	-	-
Other income	-	77	(77)	-	-
	<u>205</u>	<u>12,098</u>	<u>(11,465)</u>	<u>(1,623)</u>	<u>(785)</u>
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	44	82	-	203	126
Other capital expenditure from revenue funding	300	-	(45)	-	458
Premises gifted by Local Authority	35,495	-	(287)	-	35,208
	<u>35,839</u>	<u>82</u>	<u>(332)</u>	<u>203</u>	<u>35,792</u>
<b>Unrestricted funds</b>	742	626	(404)	-	964
<b>Pension reserve</b>	(980)	-	-	980	-
	<u>(238)</u>	<u>626</u>	<u>(404)</u>	<u>980</u>	<u>964</u>
<b>Total</b>	<u>35,806</u>	<u>12,806</u>	<u>(12,201)</u>	<u>(440)</u>	<u>35,971</u>

#### Notes

- (i) General Annual Grant must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% can be used for general purposes at the discretion of the Academy, but any balance over 2% must be used for capital purposes.
- (ii) The Standards Fund must be used to boost standards of attainment within the Academy. Grant can be carried forward to the following August.
- (iii) Capital grants are awarded by the EFA to refresh ICT provision within the Academy.
- (iv) The gross transfer from the unrestricted general fund to the restricted fixed asset fund of £203,000 represents the total capital expenditure from the General Annual Grant (GAG) during the year.
- (v) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted funds in the current year. This does not mean that an immediate liability for this amount crystallises.

## Notes (continued)

### 18 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by

	Unrestricted funds £000	Restricted non fixed assets funds £000	Restricted fixed asset funds £000	Total £000
Fund balances at 31 August 2012 are represented by				
Tangible fixed assets	380	-	35,792	36,172
Current assets	1,255	1,528	-	2,783
Current liabilities	(671)	(923)	-	(1,594)
Pension scheme liability	-	(1,390)	-	(1,390)
	<u>964</u>	<u>(785)</u>	<u>35,792</u>	<u>35,971</u>

### 19 Capital commitments

	2012 £000	2011 £000
Contracted for, but not provided in the financial statements	-	-

### 20 Financial commitments

#### a) Operating leases

At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows

	2012 £000	2011 £000
<b>Other</b>		
Operating leases which expire		
Within one year	-	15
Within two to five years	36	39
Over five years	-	1
	<u>36</u>	<u>55</u>

Notes (continued)

**21 Reconciliation of net income to net cash inflow from operating activities**

	2012 £000	2011 £000
Net income	605	36,806
Depreciation (note 13)	332	219
Premises gifted from Local Authority	-	(35,709)
Capital grants from DfE and other capital income	(82)	(44)
Interest receivable (note 5)	(3)	(1)
FRS 17 pension cost less contributions payable (note 27)	(50)	(30)
FRS 17 pension finance cost (note 27)	20	10
Increase in stocks	(11)	(55)
Increase in debtors	(15)	(599)
Increase in creditors	283	1,311
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>1,079</b>	<b>1,908</b>
	<hr/>	<hr/>

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

	2012 £000	2011 £000
Interest received	3	1
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>3</b>	<b>1</b>
	<hr/>	<hr/>

**23 Capital expenditure and financial investment**

	2012 £000	2011 £000
Purchase of tangible fixed assets	(709)	(305)
Capital grants from DfE/EFA	82	44
Capital funding received from sponsors and others	-	-
Receipts from sale of tangible fixed assets	-	-
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(627)</b>	<b>(261)</b>
	<hr/>	<hr/>

**24 Analysis of changes in net funds**

	At 1 September 2011 £000	Cash flows £000	At 31 August 2012 £000
Cash in hand and at bank	1,648	455	2,103
	<hr/>	<hr/>	<hr/>

## **Notes (continued)**

### **25 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 Academy is required either to reinvest the proceeds or to repay to the Secretary of State for Children, Schools and Families 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 Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to

- a) the value at the time of the Academy's site and premises and other assets held for the purpose of the Academy, 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

### **26 Members' liability**

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

### **27 Pension and similar obligations**

The Academy's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Tyne and Wear Pension Fund Both are defined-benefit schemes

The pension costs are assessed in accordance with the advice of independent qualified actuaries The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 1 December 2010

There were no outstanding contributions at either the beginning or end of the financial year

#### **Teachers' Pension Scheme (TPS)**

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010

Although teachers and lecturers are employed by various bodies, their 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' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases) From 1 April 2001, the Account has been credited with a real rate of return (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

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS The aim of the reviews is to specify the level of future contributions

## Notes (continued)

### 27 Pension and similar obligations (continued)

#### Teachers' Pension Scheme (TPS) (continued)

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.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2012 was £338,554 (10 month period ended 31 August 2011 £193,875) of which employer's contributions totalled £262,280 (2011 £143,320) and employees' contributions totalled £76,274 (2011 £50,555). The agreed contribution rates for the period ended 31 August 2012 were 14.6% for employers and 7.5% for employees.



## Notes (continued)

### 27 Pension and similar obligations (continued)

#### Principal Actuarial Assumptions

	2012	2011
Rate of increase in salaries	4.7%	5.1%
Rate of increase for pensions in payment / inflation	2.2%	2.7%
Discount rate for scheme liabilities	4.4%	5.4%
Inflation assumption (CPI)	2.2%	3.6%
Commutation of pensions to lump sums	50%	50%

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

	2012	2011
<i>Retiring today</i>		
Males	21.6 years	21.5 years
Females	23.8 years	23.7 years
<i>Retiring in 20 years</i>		
Males	23.4 years	23.3 years
Females	25.7 years	25.6 years

#### Local Government Pension Scheme

The Academy's share of the assets and liabilities in the scheme and the expected rates of return were

	Expected return at 31 August 2012 %	Asset split at 31 August 2012 £000	Expected return at 31 August 2011 %	Asset split at 31 August 2011 £000
Equities	7.5	1,792	7.7	1,501
Government bonds	2.5	199	3.7	153
Property	7.0	245	7.2	189
Cash	1.3	52	1.6	29
Corporate bonds	3.2	329	4.8	257
Other	7.5	103	7.7	91
<b>Total market value of assets</b>		2,720		2,220
Present value of scheme liabilities		(4,110)		(3,200)
- Funded				-
<b>Deficit in the scheme</b>		(1,390)		(980)

The actual return on scheme assets was £16,000 (2011 £20,000)

## Notes (continued)

### 27 Pension and similar obligations (continued)

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

	2012 £000	2011 £000
Current service cost (net of employee contributions)	210	160
Total operating charge	210	160
<b>Analysis of pension finance (costs)/income</b>		
Expected return on pension scheme assets	160	110
Interest on pension liabilities	(180)	(120)
<b>Pension finance costs</b>	(20)	(10)

The actuarial gains and losses for the current year are recognised in the Statement of Financial Activities

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS 17 is a £510,000 loss (2011 £70,000)

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

	2012 £000	2011 £000
<b>At 1 September 2011</b>	3,200	2,880
Current service cost	210	160
Interest cost	180	120
Employee contributions	80	60
Actuarial loss/(gain)	440	(20)
<b>At 31 August 2012</b>	4,110	3,200

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

	2012 £000	2011 £000
<b>At 1 September 2011</b>	2,220	1,950
Expected return on assets	160	110
Actuarial loss	-	(90)
Employer contributions	260	190
Employee contributions	80	60
Benefits paid	-	-
<b>At 31 August 2012</b>	2,720	2,220

The estimated value of employer contributions for the year ended 31 August 2013 is £270,000

## Notes (continued)

### 27 Pension and similar obligations (continued)

The five-year history of experience adjustments is as follows:

	2012 £000	2011 £000
Present value of defined benefit obligations	(4,110)	(3,200)
Fair value of share of scheme assets	2,720	2,220
	<hr/>	<hr/>
Deficit in the scheme	(1,390)	(980)
	<hr/>	<hr/>
Experience adjustments on share of scheme assets		
Amount £'000	-	90
Experience adjustments on scheme liabilities:		
Amount £'000	-	20

### 28 Related party transactions

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