

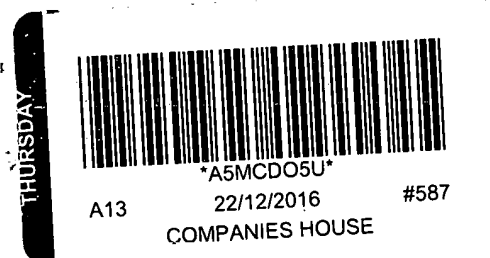
**NORTH EAST LEARNING TRUST
(FORMERLY SHOTTON HALL LEARNING TRUST)**

(a company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 August 2016



**NORTH EAST LEARNING TRUST
FINANCIAL STATEMENTS
Year ended 31 August 2016**

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**NORTH EAST LEARNING TRUST
COMPANY INFORMATION
Year ended 31 August 2016**

Governors (Trustees)

General Governors

Mr Roy Simpson (Chair) - Trust Member
Mrs Diane Nicholson - Trust Member
Mr John Cameron - Trust Member
Mrs Susan McDonnell - Trust Director
Mrs Margaret Saxton - Trust Director
Mr Brian Burlinson - Trust Director
Mrs Lesley Powell
Dr Janice Gorlach (appointed 14 October 2015)

Executive Principal

Mrs Lesley Powell

Company Secretary

Mr Lee Alexander

Senior Management Team:

Chief Executive Officer (CEO)
Deputy CEO
Head of School (Shotton Hall)
Vice Principal
Assistant Principals
Head of School (Browney)
Head of Financial Services
Head of Human Resources
Head of Administrative Services
Head of Communications

Mrs Lesley Powell
Dr Janice Gorlach (appointed 14 October 2015)
Mr Brian Burlinson
Miss Alex Hook
Mrs Valerie Bell
Mrs Catherine Harris
Mr Lee Alexander
Mrs Deborah Piggett
Mrs Debra Livingston
Miss Alix Borthwick

Principal and Registered Office

North East Learning Trust
Passfield Way
Peterlee
Co Durham
SR8 1AU

Company Registration Number

07492165

Independent Auditor

RSM UK Audit LLP
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Bankers

Lloyds
PO Box 1000
Andover
BX1 1LT

Solicitors

Ward Hadaway Law Firm
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2016**

The governors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2016. The annual report serves the purpose of both a *Trustees' report*, and a *directors' report* under company law.

Structure, Governance and Management

Constitution

The Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust. The governors act as trustees for charitable activities of North East Learning Trust are also the directors of the Charitable Company for the purposes of company law. During the year the registered company name was changed from the Shotton Hall Learning Trust and the Charitable Company is now known as North East Learning Trust. North East Learning Trust is a multi-academy trust consisting of The Academy at Shotton Hall and Browney Primary Academy.

Details of the Governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 3.

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.

Principal activities

The Academy's object ("the Object") is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing maintaining, carrying on, *managing and developing a school offering a broad and balanced curriculum*. The Academy Trust shall ensure that the broad and balanced curriculum includes English, Mathematics and Science and shall make provision for the teaching of religious education. The Academy Trust shall ensure that the Trust complies with any guidance issued by the Secretary of State from time to time to ensure that pupils take part in assessments and in teacher assessments of pupils' performance as they apply to maintained schools. In respect of all key stages the Academy Trust will submit the Trust to monitoring and moderation of its assessment arrangements as prescribed by the Secretary of State.

Method of recruitment and appointment or election of governors

The Members of the Trust comprise of the three signatories to the Memorandum and one other person who was appointed under Article 16 of the Memorandum and Articles of Association. Details of the governing body are shown in the Reference and Administration details. The members may appoint Staff governors through such process as they may determine, provided that the total number of Governors including the Principal who are employees of the Academy Trust does not exceed one third of the total number of Governors. The Parent Governors are elected by parents of registered pupils at the Trust. A Parent Governor must be a parent of a pupil at the Academy at the time when they are elected and the governing body make all necessary arrangements for elections. *If the number of Parent Governors standing for election is less than the number of vacancies then the Governing Body can appoint the parent Governors.* The Governors may appoint up to 3 Co-opted Governors. A Co-opted Governor, means a person who is appointed to be a Governor by being Co-opted by Governors who have not themselves been so appointed. The Secretary of State may appoint such Additional Governors as he thinks fit under Article 62, 62A, 62C or 68A. The term of office for any Governor shall be 4 years. At the Governors first meeting each school year they will elect a chairman and vice-chairman.

Policies and procedures adopted for the induction and training of governors

The Trust provides both individual and full Governing Body training through an annual Course Directory which is reviewed each year to reflect any changes in practice and legislation. Governors also have access to the website and a Governor Information File to assist in their induction. Governors receive a copy of the termly magazine 'School Governor' also. We also hold a *Governors' day where governors can select various topics to access training.* The governors were also issued with a CPD audit to assess their needs.

NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2016

Organisational Structure

Governors

A meeting of Full Governors of Shotton Hall Academy and Browney Academy takes place termly. In accordance with the School Staffing Regulations the current committee arrangements, including membership and remits together with virement and expenditure limits and delegation of staff functions will be considered at the first meeting on an annual basis.

The day to day operations of the Trust are delegated to the Executive principal (Accounting Officer) and Head of each school. Strategic matters are reserved for trustee members, with delegated responsibilities and oversight of management at school level. Each school has certain delegated powers and has its own sub-committee's for Parental Engagement, Achievement, Quality of Teaching, Pupil Discipline and Appeals.

Trust Committee Structure

North East Learning Trust - Leadership

Terms of Reference

- Performance Management policies
- Review and monitoring of all Teaching School activities, including financial position.
- Approval of internal financial procedures, financial regulations manual; purchasing procurement, including limits for tendering; Payroll, including arrangements for making PAYE deductions and completing tax forms for HMRC, receipt of gift and hospitality
- Approval of the Trust's budget and associated procedures including nomination of a governor to have responsibility for monitoring of the Development Plan; establishment of procedure and timetable for regular reporting of financial progress against budget to both the Principal (accounting officer and the governing body)
- Setting approval of delegated authority levels and signatories for cheques, bank forms and DfE returns.
- Delegation of appropriate powers and functions to the Principal/Headteacher including responsibility for the internal organisation and control of the academy, the implementation of all policies approved by the governing body and the direction of teaching and the curriculum.
- Oversight of external audit
- Agree internal assurance work programme and review internal assurance work
- Circulation of members' business interests.
- Monitor and determine spending patterns and consider spending proposals from other committees
- Consider and promote income generation

Arrangements for setting pay and remuneration of key management personnel

The Trustees have ultimate authority for setting pay and remuneration for all staff including key management personnel. No Trustee receives any pay or remuneration for discharging their duties as an officer to the company and therefore key management personnel consists of the Chief Executive Officer (CEO), Deputy CEO, Head of Schools' and Head of Finance.

The Trust follows the arrangements for pay and remuneration as set out in the School Teachers' pay and conditions Document. This document forms the basis of our whole school pay policy which is supported by our performance review and appraisal policy.

Risk management

The Trust has produced a risk register in order to formally identify the major risks to which the Trust is exposed. A number of systems to assess risks that the school faces, especially in operational areas (e.g. in relation to teaching, health and safety, bullying and educational visits) have already been introduced and furthermore, appropriate arrangements (e.g. a regular and thorough lesson observation programme; safer recruitment; vetting of visitors and staff supervision procedures) are firmly in place to minimise risk. This includes an effective system of internal financial controls. Where significant financial risk remains, adequate insurance cover is in place.

Connected organisations, including related party relationships

The Academy does not work in federation with any other organisation. However, informal relationships with local schools, universities, Teaching School alliance schools and businesses exist where these partnerships assist in the achievement of Trust objectives.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2016**

The Trust is working in partnership with East Durham College as joint sponsors of The Apollo Studio Schools Trust, a separate entity that does not form part of the North East Learning Trust. All trading transactions are at cost.

Objectives, strategies and activities

The principal object and activity of the charitable trust is the operation of Browney Primary Academy and The Academy at Shotton Hall to provide education for pupils between the ages 4-10 and 11-16 respectively.

Each schools admissions code has governor approval and is published on the website www.shottonhallacademy.co.uk or www.browneyprimaryacademy.co.uk. The Trust has a rolling programme of self-evaluation and this is summarised in each Academy's Self Evaluation Form (SEF). Action points from the evaluation are then developed in the Academy development plan in the following key areas:-

- Leadership and management of the academy
- Achievement of pupils at the Academy
- The quality of teaching
- Behaviour and safety of pupils

Public Benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our Aims and Objectives and in planning our future activities. In particular, the Governors consider how planned activities will contribute to the aims and objectives they have set. The Trust has provided a fully comprehensive education to all students in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role.

STRATEGIC REPORT

Achievements and Performance

The Academy at Shotton Hall has joined an exclusive group of schools after recently being awarded a second outstanding judgement from school inspectors Ofsted. The double award has been achieved by very few secondary schools in England and is testament to the excellent and sustained achievements of our school over the past three years.

The Academy at Shotton Hall

Students enter the Academy at Shotton Hall with attainment that places them to be average compared to all students nationally. In particular, literacy and numeracy skills are low and approximately half of each year group require intervention in these areas to support their learning. The Academy scores highly in the indices of multiple deprivation with 48% of students eligible for the pupil premium.

According to the IDACI index more than 50% of our students live in the lowest 30% areas of deprivation in the country. Students leave the academy with results that are significantly above average as far as attainment is concerned (raw results compared to national averages) and this means that learning and progress are outstanding. This picture has been strengthened and consolidated over a period of time, with value added (an educational measure of overall performance) showing that our students leave the Academy with achievements in terms of exam performance statistically significantly higher than would be expected.

In 2016 we significantly exceeded all targets with 78% of students achieving A*-C grades in both English and Maths with 76% achieving 5+A*-C including English and Maths.

Most subjects, produced results significantly above national average at A*-C and the majority were above national averages at A*-A grades.

Individually, English, Maths and Science results were significantly above national averages by around 35%, 25% and 35% respectively. These figures continue to show significant improvement on previous years and continue to place us in the outstanding category for Achievement (the sum of attainment and progress). Attendance and P.A. data were also outstanding.

Browney Primary Academy

In 2016 we have seen significant improvement in outcomes at Browney with a rise of 21% in the number of students achieving Level 4 in Reading, Writing and Mathematics (the national bench). Overall 94% of students achieved this key stage measure (73% 2015), which is above national and based on an intake that was significantly below average on entry at key stage 2.

NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2016

Going concern

Taking into account consideration of all relevant facts and circumstances and 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. There are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern. For this reason it adopts the going concern basis in preparing the financial statements.

Financial and risk management objectives and policies

The Academy manages its risks appropriately. We consider that risks such as the uncertainty over the LGPS deficit and future recurrent funding provision possibly due to the introduction of a national funding formula feature in the financial risk register as the main areas of concern.

Key Performance Indicators

GCSE Results	2016	2015
Students achieving 5+ A* to C grades	93%	85%
Students achieving 8+ A* to C grades	75%	60%
Students achieving 5+ A* to C grades incl. English & Maths	80%	76%
Expenditure ratios		
Total staff costs/GAG income	70%	70%
Teaching staff costs/GAG income	61%	61%
Support staff costs/GAG income	9%	9%
PFI costs/GAG income	13%	13%
Liquidity ratio		
Current assets/current liabilities	2.3	2.3

Financial Review and Strategic Report

During the year ending 31st August 2016 total expenditure of £9,542k (2015: £8,821k) exceeded recurrent DfE grant funding together with other incoming resources. The net expenditure before recognised gains and losses and transfers is £357k which has contributed to the closing fund balance of £790k (2015: £2,658k).

The North East Learning Trust

The Trust has developed its growth strategy and has obtained capacity support funding of £ during the year. Significant steps have been taken to ensure the Trust has sufficient capacity, including new staff appointments to support the strategy. There are currently two schools in the transfer process which are expected to conclude early 2017.

The Academy at Shotton Hall

During the year the school has invested in a resurfacing project to improve the school playground costing £35k. We are currently in talks with the site FM contractor to manage a change to the existing contractual arrangement as the cost to retain the use of existing demountable classrooms of £30k is not value for money.

Browney Primary Academy

During the year a staff restructuring exercise was undertaken as a result of the medium term plan which indicated significant funding reductions due to less than expected pupil number growth. This has effectively reduced staffing which three settlement agreements were made (see note 9). Strategically the Trust is supporting Browney Academy to ensure it becomes the school of choice in the local area. The 2015 school results are the best ever for the school and the strongest in the local area and the Trust has commissioned a new project to improve the schools facilities as the school currently has no sports facilities or playing fields, which will improve the offer to the local area.

The majority of the Academy's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted for particular purposes. Such grants and all associated expenditure are shown as restricted funds in the statement of financial activities for the year ended 31st August 2016.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2016**

The third cohort of School Centred Initial Teacher Training (SCITT) commenced September 2015 and generated additional income of £576k. The SCITT was accredited as Outstanding by Ofsted 2015 and the continued success has resulted in 62 graduates for the 2015/16 cohort, 57% of student teachers were judged to be outstanding, 92% were judged to be good or better and 86% were in fulltime employment upon completion of the course.

During the year the Trust has further developed Teaching School activity providing additional income of £749k comprising of £163k restricted grants, £576k SCITT fees and £10k unrestricted self-generated funds through Continuous Professional Development (CPD) workshops and Specialist Leaders of Education (SLE) deployment.

The Trust received contributions from the DfE as part of GAG funding of £598k to bridge the "Affordability Gap" in the LA Private Finance Initiative for the building of the school premises.

The Trust Finance Manual sets out the key financial responsibilities and policies including: delegation of spending, capitalisation limit, purchasing procedures including procurement regulations and systems of internal control. During the year minor changes have been made with regards to the tendering and procurement procedures ensuring the manual reflects the operational needs of the Trust.

All expenditure of the Academy Trust is made in line with this manual as and such, supports the provision of Education of all pupils on role.

Principal risks and uncertainties

The Principal risks and uncertainties continue to arise from the rapid pace of change in the educational landscapes arising from the change in government and the development of the Academies framework. In curricular terms we have adopted a working brief and are ensuring we respond quickly and flexibly. The most significant areas of concern arise from ongoing national changes to school funding as all schools are unclear as to how this would impact financially in future years and availability of condition improvement funds to ensure school buildings are improved.

Reserves policy

It is intended that the Governors will review the reserve levels of the Trust annually. This review will encompass the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trust is actively seeking growth opportunities and therefore needs to ensure it has adequate resources to support the wider trust, this combined with the future uncertainty over funding and inflation on PFI costs, trustees have set minimum level of reserves at £1m which is equivalent to 1.25 times of one month's expenditure. The academy intends to invest the balance to develop facilities for dining and physical education at The Academy at Shotton Hall and address ongoing condition issues at Browney primary school, which is considered to be a significant investment of £600-£800k. The Trustees have also agreed an investment policy which will aim to earn interest on cash deposits.

A long term pension deficit exists at 31 August 2016 of £2,905k (2015: £1,319k).

The level of free reserves at the year ended 31 August 2016 was £1,390k (2015: £1,225k), the trust.

Investment policy

The investment policy aims to manage cash balances to provide daily working capital requirements. In addition, the Trust aims to invest surplus cash funds to optimise returns, while ensuring the investment instruments are such that there is no risk to the loss of these cash funds. No cash deposits have been made during the period partly due to the uncertainty over capital commitments, however Trustees have now requested an investment proposal to be drafted for approval.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2016**

Plans for Future Periods

The Trust is committed to the continual improvement of teaching and learning raising standards in conjunction with DfE and the Ofsted framework, but ultimately is focused on the best possible for our children. The Trustees are committed to the growth strategy and are focused on continuing the best practice developed at Shotton Hall, throughout all trust schools. The Trustees are committed to raising the profile and standards of Browney Primary Academy in order to increase pupil numbers and improve the key stage 2 outcomes. The Trust intends to continually grow the teaching school activities and is dedicated to providing continued high quality training for future SCITT cohorts.

Over the coming year the North East Learning Trust will aim for continued development and growth. The commitment to building and strengthening schools in the Trust and those joining the Trust as an exemplary school community will be of focus throughout all trust schools.

The Trust foresees further challenges regarding building condition and sport facilities and is actively working to secure additional funding and improve available facilities.

Auditors

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

Statement as to disclosure of information to auditors

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

The Trustee' 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 directors at a meeting on 16 December 2016 and signed on its behalf by:



Roy Simpson
Chair

NORTH EAST LEARNING TRUST
GOVERNORS' STATEMENT
Year ended 31 August 2016

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that North East Learning 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 Principal, as Accounting Officer, for ensuring financial controls conform with requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the Funding Agreement between North East Learning Trust 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 Governors' responsibilities. The governing body has formally met 5 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings Attended	Out of a Possible
Mr J. Cameron	5	5
Mrs M. Saxton	4	5
Ms S. McDonnell	3	4
Mrs D. Nicholson	1	4
Mrs L. Powell, Principal	4	4
Mr R. Simpson, Chair	5	5
Dr. J. Gorlach (Appointed 14/10/2015)	2	5
Mr. B. Burlinson	3	5
Mrs D. Facey	1	2

Review of value for Money

As accounting officer the principal has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

An extensive benchmark exercise in relation to stationery supplies was conducted during the year on behalf of the Trust, which concluded one approved supplier for stationary, based upon best price and quality of service received.

The Trust has developed its own student exercise books at the slightly reduced cost of buying standard exercise books and additional labels. The most significant efficiency saving is labour as a considerable amount of time was spent adding learning content to standard books. The academy is currently investigating the potential new income stream and is intending to market these exercise books nationally.

As the Trust continues to grow the importance of greater efficiency and economies of scale is paramount. The Finance has developed a centralised go to document which allows all staff across the trust to access procedures and forms for resources. This includes requests for goods, services, training, petty cash, payroll, absence, H&S, IT helpdesk, school visits, approved suppliers etc. It is expected that this will reduce wasted time and effort where staff do not know what to do when resources are required, it will ensure the correct paperwork is adopted across the trust and acts as a reminder of the do's and don'ts to all staff before they proceed with any request. As well as the electronic document posters of the document have been placed in all staff rooms to promote the new go to document and to ensure best practice is instilled in the normal working day.

**NORTH EAST LEARNING TRUST
GOVERNANCE STATEMENT
Year ended 31 August 2016**

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 North East Learning 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 North East Learning Trust for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body reviews the key risks of North East Learning Trust on an on-going basis to minimise any potential risk 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 on-going process for identifying, evaluating and managing North East Learning Trust significant risks that has been in place for the year ending 31 August 2016 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

North East Learning Trust 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 Premises 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 to engage RSM to provide separate assurance engagements throughout the year to complete a range of checks on the Academy Trust's financial systems. Internal assurance reports will be reported to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

Review of effectiveness

As Accounting Officer, the Principal 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 review
- The work of the external auditor
- The financial management and governance self-assessment process
- The work of the Head of Finance within the Academy Trust who has responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Premises 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 16 December 2016 and signed on its behalf by:


Roy Simpson
Chair

Lesley Powell
Accounting Officer



NORTH EAST LEARNING TRUST
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
Year ended 31 August 2016

As Accounting Officer of North East Learning Trust 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. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.



Mrs Lesley Powell
Accounting officer

NORTH EAST LEARNING TRUST
STATEMENT OF GOVERNORS' RESPONSIBILITIES
Year ended 31 August 2016

The governors (who act as trustees for charitable activities of North East Learning Trust and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Academies Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the governors to prepare financial statements for each financial year. Under company law the governors 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 governors are required to:

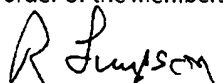
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 governors 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 governors 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 governors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the governing body on 16 December 2016 and signed on its behalf by:



Roy Simpson
Chair

**REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF
NORTH EAST LEARNING TRUST**

We have audited the financial statements of North East Learning Trust for the year ended 31 August 2016 on pages 15 to 34. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and the Academies Accounts Direction 2015 to 2016 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 governors and auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/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 2016 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 2015 to 2016 issued by the Education Funding Agency.

Opinion on other requirement of the Companies Act 2006

In our opinion the information given in the Governors' Report and the incorporated Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



CLAIRE LEECE (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

19 December 2016

NORTH EAST LEARNING TRUST
STATEMENT OF FINANCIAL ACTIVITIES
(including income and expenditure account)
for the year ended 31 August 2016

		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2016	Total 2015
	Note	£'000	£'000	£'000	£'000	£'000
Income and endowments from:						
Donations and capital grants	4	132	121	28	281	608
Charitable activities:						
Funding for the academy trust's educational operations	2	-	8,482	-	8,482	8,402
Other trading activities	5	419	-	-	419	394
Investment income	6	3	-	-	3	3
Total		554	8,603	28	9,185	9,407
Expenditure on:						
Raising funds	7	329	44	-	373	412
Charitable activities:						
Academy trust educational operations	8	60	8,869	240	9,169	8,409
Total		389	8,913	240	9,542	8,821
Net Income / (expenditure)		165	(310)	(212)	(357)	586
Transfers between funds	17	-	-	-	-	-
Other recognised gains / (losses):						
Remeasurement of net defined benefit obligations	27	-	(1,511)	-	(1,511)	24
Net movement in funds		165	(1,821)	(212)	(1,868)	611
Reconciliation of funds						
Total funds brought forward		1,225	(645)	2,077	2,658	2,046
Total funds carried forward		1,390	(2,466)	1,865	790	2,658

All of the Academy Trust's activities derive from continuing operations during the above two financial periods. A statement of total recognised gains and losses is not required as all gains and losses are included in the Statement of Financial Activities.

NORTH EAST LEARNING TRUST
(Company number: 07492165)
BALANCE SHEET
for the year ended 31 August 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	13	1,791	1,915
Current assets			
Stock	14	-	4
Debtors	15	887	923
Cash at bank and in hand		2,386	2,584
		<u>3,273</u>	<u>3,511</u>
Liabilities			
Creditors: amounts falling due within one year	16	(1,369)	(1,448)
Net current assets		<u>1,904</u>	<u>2,063</u>
Net assets (excluding pension liability)		<u>3,695</u>	<u>3,977</u>
Pension scheme liability	27	(2,905)	(1,319)
Net assets (including pension liability)		<u>790</u>	<u>2,658</u>
Total funds of charity:			
Restricted funds			
Fixed Asset fund	17	1,866	2,078
General fund	17	439	674
Pension fund	17	(2,905)	(1,319)
	17	<u>(600)</u>	<u>1,433</u>
Unrestricted fund			
General fund	17	<u>1,390</u>	<u>1,225</u>
Total funds	17	<u>790</u>	<u>2,658</u>

The financial statements on pages 15 to 34 were approved by the Governors and authorised for Issue on 16 December 2016 and signed on their behalf by:



Roy Simpson
Chair

NORTH EAST LEARNING TRUST
CASHFLOW STATEMENT
for the year ended 31 August 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	26	(112)	7
Cash flows from investing activities	26	(86)	(507)
Cash flows from financing activities	26	-	-
Change in cash and cash equivalents in the reporting period		(198)	(500)
Cash and cash equivalents at 1 September 2015		2,584	3,084
Cash and cash equivalents at 31 August 2016	26	2,386	2,584

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016**

1 STATEMENT OF ACCOUNTING POLICIES

North East Learning Trust is a charitable company. The address of the Trust's principle place of business is given on page 3. The nature of the Academy Trust's operations are set out in the Trustees' Report.

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

Basis of Preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

North East Learning Trust meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling which is also the functional currency of the Academy Trust. Monetary amounts in the financial statements are rounded to the nearest £1,000.

Going Concern

After reviewing financial and other information available, the governors consider that the Academy 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.

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

Incoming resources

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

Grants receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is credited directly to the Statement of Financial Activities. 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.

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

Interest receivable

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

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016**

1 ACCOUNTING POLICIES (continued)

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.

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

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

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 Governors.

Restricted General funds are resources subject to specific restrictions imposed by funders or donors, and include grants from the EFA/DfE.

Restricted Fixed Assets Funds are resources which are to be applied to specific capital purposes imposed by the EFA, where the asset acquired or created is held for a specific purpose.

Financial Instruments

The Academy Trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Building Schools for the Future

The Academy occupies buildings which have been procured by Durham Local Authority under the BSF programme as a PFI project. The Academy pays revenue contributions in respect of Facilities Management. The BSF contract will expire in 2036. The Academy does not have any rights or obligations of ownership in respect of these assets, and therefore they are not included on the Academy's balance sheet. The revenue payment for service is recognised in the SOFA.

When the Academy procures and pays for additional furniture or equipment, or changes to the building, the costs are capitalised and depreciated in accordance with the Tangible Fixed Asset policy below.

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016**

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £240k.

Land and buildings - Land and buildings are held under a 125 year lease from Durham County Council. These assets are included on the balance sheet of the academy due to the significant risks and rewards of ownership belonging to the academy, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the academy could use them without major modification.

Tangible fixed assets

Tangible fixed assets costing £5,000 or more are capitalised at cost 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. Where the related grants require the asset to be held for a specific purpose they are credited to a 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.

Depreciation is provided on all tangible fixed assets other than freehold land, on a straight-line basis over its expected useful life dependant on the type of asset.

• Freehold buildings & Leasehold improvements	10 years
• Leasehold buildings	25 years
• Fixtures, fittings and equipment	7 years
• Computer Hardware	5 years
• Motor vehicles	5 years

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.

Stock

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

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 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 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Leased assets

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

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 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 Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, 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.

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.

2 FUNDING OF THE TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted funds £'000	Restricted funds £'000	2016 Total £'000	2015 Total £'000
DfE/EFA REVENUE GRANTS	-			
General annual grant (GAG) (note 3)	-	7,004	7,004	7,223
Other DfE/EFA grants	-	655	655	590
	-	7,659	7,659	7,813
OTHER GOVERNMENT GRANTS				
Teaching School	-	739	739	480
Other grants	-	84	84	109
	-	823	823	589
	-	8,482	8,482	8,402

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

3 GENERAL ANNUAL GRANT (GAG)

The funding agreement for both The Academy at Shotton Hall and Browney Primary Academy have no restriction on GAG carry forward.

4 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds £000	Restricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Other income	131	121	-	252	148
Capital grants	-	-	28	28	456
Other donations	1	-	-	1	4
	<u>132</u>	<u>121</u>	<u>28</u>	<u>281</u>	<u>608</u>
2015	<u>94</u>	<u>58</u>	<u>456</u>	<u>608</u>	

5 OTHER TRADING ACTIVITIES

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Catering income	354	-	354	335
School trips	45	-	45	35
Income from lettings	8	-	8	7
Sale of merchandise	2	-	2	4
Teaching school income	10	-	10	13
	<u>419</u>	<u>-</u>	<u>419</u>	<u>394</u>
2015	<u>394</u>	<u>-</u>	<u>394</u>	

6 INVESTMENT INCOME

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Short term deposits	3	-	3	3
	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>
2015	<u>3</u>	<u>-</u>	<u>3</u>	

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

7 RESOURCES EXPENDED

	Non Pay Expenditure				
	Staff	Premises	Other	Total	Total
	Costs			2016	2015
	£000	£000	£000	£000	£000
Expenditure on raising funds	-	-	373	373	412
Academy's educational operations:					
· Direct costs	5,445	396	479	6,320	5,824
· Allocated support costs	695	1,210	944	2,849	2,585
	<u>6,140</u>	<u>1,606</u>	<u>1,796</u>	<u>9,542</u>	<u>8,821</u>

The expenditure on raising funds was £373k (2015: £412k) of which £329k was unrestricted (2015:£406k).

The expenditure on the Academy's educational operations was £9,169 (2015:£8,409) of which £60k was unrestricted (2015:£32k).

Income/(expenditure) for the period includes:	2016	2015
	£000	£000
Depreciation	240	127
PFI	981	963
Fees payable to auditor for:		
- audit	15	11
- other services	<u>5</u>	<u>5</u>

8 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	Total	Total
	2016	2015
	£000	£000
Direct costs – educational operations	6,320	5,824
Support costs – educational operations	2,849	2,585
	<u>9,169</u>	<u>8,409</u>

Analysis of support costs	Educational operations	Total	Total
	£000	2016	2015
	£000	£000	£000
Support staff costs	695	695	606
Maintenance of premises & equipment	128	128	176
PFI costs	981	981	963
Rates	62	62	42
Insurance	29	29	28
Recruitment & support	12	12	9
Bank interest & charges	50	50	25
Staff Insurance	27	27	25
Travel & Subsistence	31	31	40
Transport	18	18	15
Work Related	187	187	92
Subscriptions	22	22	24
Printing/Photocopying	45	45	25
Service Contracts	243	243	206
Governance costs	90	90	165
Cleaning Costs	10	10	4
Other Support Costs	219	219	140
Total support costs	<u>2,849</u>	<u>2,849</u>	<u>2,585</u>

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

9 STAFF COSTS

a)	2016	2015
	£'000	£'000
Staff costs during the period were:		
Wages and salaries	4,827	4,628
Social security costs	430	369
Pension costs	769	661
	<hr/> 6,026	<hr/> 5,658
Supply teacher costs	67	41
Staff restructuring costs	47	9
	<hr/> 6,140	<hr/> 5,708

Three severance payments of £6,483, £18,000 and £21,980 were made in the year.

b) Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are statutory/contractual severance payments totalling £47k (2015: £nil).

c) Staff numbers

The average number of persons (including senior management team) employed by the Academy Trust during the year ended 31 August 2016 was as follows:

	2016	2015
	No.	No.
Teachers	97	92
Administration and support	65	61
Management	9	8
	<hr/> 171	<hr/> 161

d) Higher paid staff

The number of employees whose annual emoluments (excluding pension contributions) fell within the following bands was:

	2016	2015
	No.	No.
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	1
£130,001 - £140,000	1	-

During the year ended 31 August 2016, pension contributions for the above staff amounted to £58,264 (2015: £49,366).

e) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employers NI) received by key management personnel for their services to the academy trust was £751,164 (2015: £647,715).

10 CENTRAL SERVICES

No central services were provided by the Trust to its academies during the period and no central charges arose.

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

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 governors and not in respect of their services as governors. Other governors did not receive any payments from the Academy Trust in respect of their role as governors. The annual amount of Principal's remuneration was £133,533 (2015: £128,164) and pension contributions paid in the year was £22,006 (2015: £17,944). The annual salaries of staff governors' was £224,307 excluding pension costs (2015: £123,307 excluding pension costs).

During the year ended 31 August 2016 the governors received no reimbursement relating to travel and subsistence expenses (2015: £nil).

Related party transactions involving the trustees are set out in note 23.

12 TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost of this insurance is included in the total insurance cost.

13 TANGIBLE FIXED ASSETS

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Hardware £000	Motor Vehicles £000	Total £000
Cost					
At 1 September 2015	1,770	181	224	52	2,227
Additions	86	-	31	-	117
Disposals	-	-	-	-	-
At 31 August 2016	1,856	181	255	52	2,344
Depreciation					
At 1 September 2015	148	75	87	3	313
Charged in year	157	33	40	10	240
Disposals	-	-	-	-	-
At 31 August 2016	305	108	127	13	553
Net book values					
At 31 August 2015	1,623	106	137	49	1,915
At 31 August 2016	1,551	73	128	39	1,791

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016**

14 STOCK

	2016 £000	2015 £000
Catering	-	4
	<u>-</u>	<u>4</u>

15 DEBTORS

	2016 £000	2015 £000
Trade debtors	14	37
VAT recoverable	92	155
Other debtors	11	2
Prepayments and accrued income	770	729
	<u>887</u>	<u>923</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade creditors	882	1,107
Other taxation and social security	129	109
Accruals and deferred income	358	232
	<u>1,369</u>	<u>1,448</u>

	2016 £000	2015 £000
Deferred income		
Deferred income at 1 September 2015	35	363
Released from previous years	(30)	(358)
Resources deferred in the year	163	30
Deferred Income at 31 August 2016	<u>168</u>	<u>35</u>
Accruals	190	197
Total accruals and deferred income	<u>358</u>	<u>232</u>

At the balance sheet date, the Academy Trust was holding funds received in advance for ITT bursary income, TSC income, SCITT Bursary income and Trust Grant Income for the following year.

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

17 FUNDS

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2016 £000
Restricted general funds					
General Annual Grant (GAG)	273	7,005	(7,264)	-	14
DfE revenue	286	655	(639)		302
Other income	-	121	(121)		-
Other government grants	49	84	(84)		49
Teaching School income	66	739	(731)		74
Pension reserve	(1,319)	-	(75)	(1,511)	(2,905)
	(645)	8,603	(8,914)	(1,511)	(2,467)
Restricted fixed asset funds					
Transfer on conversion	425				425
DfE/EFA capital grants	686	28			714
Capital expenditure from GAG	967		(240)	-	727
	2,078	28	(240)	-	1,866
Total restricted funds	1,433	8,631	(9,154)	(1,511)	(601)
Total unrestricted funds	1,225	554	(388)	-	1,391
Total funds	2,658	9,185	(9,542)	(1,511)	790

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

General Annual Grant must be used for the normal running costs of the Academy and the intention is to utilise remaining GAG for planned capital projects.

Restricted fixed asset funds represent the valuation of Browney Primary Academy upon conversion less accumulated depreciation and DfE capital funding mainly from the ACMF fund and GAG transfers to capital.

Remaining restricted funding noted above is to be retained for future capital developments.

Unrestricted income mainly relates to the initial carry forward received from the Local Authority at conversion, this fund is expected to be retained to meet the future needs of the school.

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

18 FUNDS (continued)

Analysis of academies by fund balance

Fund Balance as at 31 August 2016 were allocated as follows:

	2016	2015
	£'000	£'000
The Academy at Shotton Hall	1,679	1,766
Browney Primary Academy	150	133
Total before fixed assets and pension reserve	<u>1,829</u>	<u>1,899</u>
Restricted fixed asset fund	1,866	2,078
Pension reserve	(2,905)	(1,319)
Total	<u>(790)</u>	<u>2,658</u>

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excluding depreciation) £'000	Total £'000
The Academy at Shotton Hall	5,121	654	486	2,651	8,912
Browney Primary Academy	324	41	20	5	390
The Trust	<u>5,445</u>	<u>695</u>	<u>506</u>	<u>2,656</u>	<u>9,302</u>

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £'000	Restricted General Fund £'000	Restricted Fixed Asset Fund £'000	Total 2016 £'000
Tangible fixed assets	-	-	1,791	1,791
Current assets	1,391	1,806	75	3,272
Current liabilities	-	(1,368)	-	(1,368)
Pension liability	-	(2,905)	-	(2,905)
Total net assets	<u><u>1,391</u></u>	<u><u>(2,467)</u></u>	<u><u>1,866</u></u>	<u><u>790</u></u>

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2016

20 CAPITAL COMMITMENTS

	Total 2016 £'000	Total 2015 £'000
Contracted for but not provided for in the financial statements	52	19
	<u>52</u>	<u>19</u>

Capital commitments relate to contracts entered into to develop the new building at The Academy at Shotton Hall.

21 OPERATING LEASES

At 31 August the Academy Trust had total minimum commitments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Land and buildings:		
Expiring within one year	-	-
Expiring within two and five years inclusive	-	-
Expiring in over five years	10,281	10,701
	<u>10,281</u>	<u>10,701</u>

22 ULTIMATE CONTROLLING PARTY

The Academy is a charitable company limited by guarantee, has no share capital and is controlled by its members.

23 RELATED PARTY TRANSACTIONS

Owing to the nature of the Academy Trust'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 Trust's financial regulations and normal procurement procedures.

	2016 £'000	2015 £'000
Apollo Studio Academy	103	67

During the year the Trust provided teaching staff, finance and IT services to Apollo totalling £103k. Staff recharges are charged at cost and all other costs are as per agreed service level agreements.

24 CONTINGENT LIABILITIES

In the event that during the period of the funding agreement, the Academy sells or disposes of any asset for which a capital grant was received, the Academy shall repay the same proportion of the proceeds of sale or disposal as equates with the proportion of the original cost met by the Secretary of State, unless the Secretary of State agrees to some or all of the proceeds being retained by the Academy for its charitable purposes.

25 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 member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for debts and liabilities contracted before he/she ceases to be a member.

NORTH EAST LEARNING TRUST
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26 a RECONCILIATION OF NET INCOME TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2016	2015
	£000	£000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(357)	586
Adjusted for:		
Depreciation [note 13]	240	126
Capital grants from DfE and other capital income	(28)	(456)
Interest receivable [note 6]	(3)	(3)
Defined benefit pension scheme cost less contributions payable [note 28]	28	22
Defined benefit pension scheme finance cost [note 28]	47	61
(Increase)/decrease in stocks	4	(1)
(Increase)/decrease in debtors	36	(100)
Increase/(decrease) in creditors	(79)	(228)
Net cash provided by / (used in) Operating Activities	(112)	7

26 b Cash flows from investing activities

	2016	2015
	£000	£000
Dividends, interest and rents from investments	3	3
Purchase of tangible fixed assets	(117)	(817)
Capital grants from DfE/EFA	28	307
Net cash provided by / (used in) investing activities	(86)	(507)

26 c Analysis of cash and cash equivalents

	At 31	At 31
	August	August
	2016	2015
	£000	£000
Cash in hand and at bank	2,386	2,584
Net cash provided by / (used in) investing activities	2,386	2,584

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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27 PENSIONS AND SIMILAR OBLIGATIONS

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Durham County Pension Fund. Both are multi-employer defined benefit schemes.

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

There were no outstanding or prepaid contributions at the end of the financial period.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £598k (2015: £491k).

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

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

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28 PENSIONS AND SIMILAR OBLIGATIONS (continued)

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 2016 was £167k of which employer's contributions totalled £108k and employee's contributions totalled £59k. Additional employer contributions to fund the scheme deficit were £35,288. The agreed rates for future years are 11.9% per cent for employers.

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

Principal actuarial assumptions

	2016	2015
Rate of increase in salaries	3.4%	3.6%
Rate of increase for pensions in payment	1.9%	2.1%
Discount rate	2.0%	3.8%
Inflation (CPI)	1.9%	2.1%
Inflation (RPI)	3.0%	3.8%

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

	2016	2015
Retiring today:		
Males	22.7	22.6
Females	24.9	24.8
Retiring in 20 years:		
Males	25.2	25.1
Females	27.5	27.4

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

	Fair value at 31 August 2016 £'000	Fair Value at 31 August 2015 £'000
Equities	864	754
Property	158	94
Government bonds	641	435
Corporate bonds	168	137
Cash	146	116
TOTAL MARKET VALUE OF ASSETS	1,977	1,536
Present value of scheme liabilities	(4,882)	(2,855)

The actual loss on scheme assets was (£277,000) 2015: £1,000

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28 PENSIONS AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

	2016	2015
	£000	£000
Current service cost	(169)	(178)
Net interest cost	(47)	(44)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	-
Total operating charge	<u>(216)</u>	<u>(222)</u>

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

	2016	2015
	£000	£000
At 1 September		
Upon conversion	2,855	2,605
Current service cost	169	178
Interest cost	109	97
Employee contributions	59	60
Actuarial (gain)/loss	1,726	(78)
Benefits paid	(36)	(7)
Plan introductions, benefit changes, curtailments and settlements		
At 31 August	<u>4,882</u>	<u>2,855</u>

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

	2016	2015
	£000	£000
At 1 September		
Upon conversion	1,536	1,343
Interest income	62	53
Return on plan assets (excluding net interest on the net defined pension liability)	215	(54)
Employer contributions	141	141
Employee contributions	59	60
Benefits paid	(36)	(7)
Plan introductions, benefit changes, curtailments and settlements		
At 31 August	<u>1,977</u>	<u>1,536</u>

NORTH EAST LEARNING TRUST
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29 Post balance sheet events

On 1 September 2016, Teesdale Education Trust converted into North East Learning Trust. All assets and liabilities transferred on this date

30 FIRST TIME ADOPTION OF FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of total funds	Notes	1 September 2014 £000	31 August 2015 £000
Total funds under previous UK GAAP		2,046	2,658
Total funds reported under FRS 102		2,046	2,658

Reconciliation of net income/(expenditure)	Notes	31 August 2015 £000
Net income/(expenditure) previously reported under UK GAAP		615
Change in recognition of LGPS interest cost	1	(29)
Net movement in funds reported under FRS 102		586

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £29,000 and increase the credit in other recognised gains and losses in the SoFA by an equivalent amount.